



**Auditor of State  
Betty Montgomery**





Mary Taylor, CPA  
Auditor of State

February 15, 2007

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 8, 2007. Thus, I am certifying this audit report for release under the signature of my predecessor.

*Mary Taylor*

MARY TAYLOR, CPA  
Auditor of State

**This Page is Intentionally Left Blank.**

**GALLIA COUNTY**  
**TABLE OF CONTENTS**

| <b>TITLE</b>   | <b>PAGE</b> |
|--|-------------|
| Independent Accountants' Report.....   | 1           |
| Management's Discussion and Analysis<br>For the Year Ended December 31, 2005 Unaudited .....   | 3           |
| Basic Financial Statements:  |             |
| Government-Wide Financial Statements:  |             |
| Statement of Net Assets .....  | 13          |
| Statement of Activities.....   | 14          |
| Fund Financial Statements:   |             |
| Balance Sheet – Governmental Funds.....  | 16          |
| Reconciliation of Total Governmental Fund Balances to Net<br>Assets of Governmental Activities .....   | 19          |
| Statement of Revenues, Expenditures and Changes in Fund<br>Balances – Governmental Funds.....  | 20          |
| Reconciliation of the Statement of Revenues, Expenditures and Changes in<br>Fund Balances of Governmental Funds to the Statement of Activities ..... | 22          |
| Statement of Revenues, Expenditures and Changes in<br>Fund Balance – Budget (Non-GAAP) and Actual:   |             |
| General Fund.....  | 23          |
| Motor Vehicle and Gas Tax Fund .....   | 24          |
| Job and Family Services Fund.....  | 25          |
| Board of Mental Retardation Fund.....  | 26          |
| Community Development Block Grant Fund .....   | 27          |
| Statement of Fund Net Assets – Proprietary Funds .....   | 28          |
| Statement of Revenues, Expenses and Changes in Net<br>Assets – Proprietary Funds.....  | 29          |
| Statement of Cash Flows – Proprietary Funds .....  | 30          |
| Statement of Fiduciary Assets and Liabilities – Fiduciary Funds .....  | 31          |
| Notes to the Basic Financial Statements .....  | 33          |
| Schedule of Federal Awards Expenditures.....   | 65          |

**GALLIA COUNTY**  
**TABLE OF CONTENTS**  
**(Continued)**

| <b>TITLE</b>   | <b>PAGE</b> |
|--|-------------|
| Notes to the Schedule of Federal Awards Expenditures .....   | 68          |
| Independent Accountants' Report on Internal Control Over<br>Financial Reporting and on Compliance and Other Matters<br>Required by <i>Government Auditing Standards</i> .....                      | 69          |
| Independent Accountants' Report on Compliance with Requirements<br>Applicable to Each Major Federal Program and on Internal Control Over<br>Compliance in Accordance with OMB Circular A-133 ..... | 71          |
| Schedule of Findings – <i>OMB Circular A-133 § .505</i> .....  | 73          |
| Schedule of Prior Audit Findings – <i>OMB Circular A-133 § .315 (b)</i> .....  | 76          |



## 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 financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Gallia County, Ohio (the County), as of and for the year ended December 31, 2005, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Gallia County, Ohio, as of December 31, 2005, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparisons for the General, Motor Vehicle and Gas Tax, Job and Family Services, Board of Mental Retardation, and the Community Development Block Grant Funds 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 November 16, 2006, 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 grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

743 E. State St. / Athens Mall Suite B / Athens, OH 45701  
Telephone: (740) 594-3300 (800) 441-1389 Fax: (740) 594-2110  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

We conducted our audit to opine on the financial statements that collectively comprise the County's basic financial statements. The Schedule of Federal Awards Expenditures is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We subjected the Schedule of Federal Awards Expenditures to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic 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

November 16, 2006



**Gallia County**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2005*  
*Unaudited*

---

The discussion and analysis of Gallia County's financial performance provides an overall review of the County's financial activities for the fiscal year ended December 31, 2005. The intent of this discussion and analysis is to look at the County's financial performance as a whole. Readers should also review the financial statements and notes to those respective statements to enhance their understanding of the County's financial performance.

**Financial Highlights**

Key financial highlights for 2005 are as follows:

- The assets of the County for governmental activities exceeded its liabilities at December 31, 2005, by \$17,966,950. Of this amount, \$1,634,701 may be used to meet the County's ongoing obligations to citizens and creditors.
- The net assets of governmental activities increased \$1,407,155. The net assets of business-type activities decreased \$96,204.
- For 2005, governmental activities revenues of the County totaled \$28,508,880. General revenues accounted for \$8,162,540 in revenue or 29 percent of all revenues. Program revenues in the form of charges for services and grants and contributions accounted for \$20,346,340 or 71 percent of all revenues.
- The County had \$27,101,725 in expenses related to governmental activities: \$20,346,340 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$8,162,540 of which \$6,273,982 was taxes with the remaining \$1,888,558 composed of interest, grants, entitlements and miscellaneous revenues were not adequate to provide for these programs.
- As of December 31, 2005, the County's governmental funds reported combined fund balances of \$5,545,658, a decrease of \$187,766 in comparison with the prior year.
- The general fund's fund balance decreased by \$143,171.

**Overview of the Financial Statements**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Gallia County as a financial whole or as an entire operating entity. The statements then proceed to provide a detailed look at specific financial conditions.

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements are comprised of three components: The government-wide financial statements, fund financial statements, and notes to the basic financial statements.

**Government-Wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the County's finances, in a manner similar to private-sector businesses. The statement of net assets and the statement of activities provide information about activities of the County as a whole, presenting both an aggregate view of the County's finances and a longer-term view of those assets.

**Gallia County**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2005*  
*Unaudited*

---

The statement of net assets presents information on all of the County's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the County's tax base, current property tax laws in Ohio restricting revenue growth, and the condition of the County's capital assets (roads, bridges, sewer lines, etc.). These factors need to be considered when assessing the overall health of the County.

The statement of activities presents information showing how the government's net assets changed during the recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

In both of the government-wide financial statements, the County is divided into two distinct kinds of activities:

**Governmental Activities** - Most of the County's programs and services are reported here including human services, health, public safety, public works, community and economic development and assistance and general government (legislative and executive and judicial). These services are funded primarily by taxes and intergovernmental revenues including federal and state grants and other shared revenues.

**Business-Type Activities** - These services are provided on a charge for goods or services basis to recover all or most of the cost of the services provided. The County's sewer operations are reported here.

**Component Units** - The County's financial statements include financial data for the Gallia-Meigs Regional Airport and Galco Industries, Inc. These component units are described in the notes to the basic financial statements.

### **Fund Financial Statements**

Fund financial reports provide detailed information about the County's major funds. The County uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the County's most significant funds. The County's major governmental funds are the general fund, motor vehicle and gas tax, job and family services, board of mental retardation, community development block grant special revenue funds and early childhood grant capital project fund. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into one of three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental Funds** - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

**Gallia County**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2005*  
*Unaudited*

---

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The County maintains a multitude of individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances for the major funds, which were identified earlier. Data from the other governmental funds are combined into a single, aggregated presentation. The basic governmental financial statements can be found on pages 13-27 of this report.

Proprietary Funds – The County maintains two different types of proprietary funds: enterprise funds and internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for sewer operations. Internal services funds are an accounting device used to accumulate and allocate cost internally among the County's various functions. The County uses an internal service fund to account for its Employee Benefits Trust Fund. Because this service predominately benefits governmental rather than business-type functions, it has been included with governmental activities in the County-wide financial statements. The County's only major enterprise fund is the Bidwell/Porter sewer fund. The basic proprietary fund financial statements can be found on pages 28-30 of this report.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the County. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The County's only fiduciary funds are agency funds. The basic fiduciary fund financial statements can be found on page 31 of this report.

Notes to the Basic Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 33-64 of this report.

**Gallia County**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2005*  
*Unaudited*

**Government-Wide Financial Analysis**

You may recall that the statement of net assets provides the perspective of the County as a whole. Table 1 provides a summary of the County's net assets for 2005 compared to 2004:

Table 1  
Change in Net Assets

|   | Governmental Activities |                      | Business-Type Activities |                     | Total                |                      |
|---|-------------------------|----------------------|--------------------------|---------------------|----------------------|----------------------|
|   | <u>2005</u>             | <u>2004*</u>         | <u>2005</u>              | <u>2004</u>         | <u>2005</u>          | <u>2004</u>          |
| <b>Assets:</b>                                  |                         |                      |                          |                     |                      |                      |
| Current and other assets                        | \$ 15,772,986           | \$ 14,105,390        | \$ 509,756               | \$ 490,403          | \$ 16,282,742        | \$ 14,595,793        |
| Capital assets                                  | <u>8,602,914</u>        | <u>8,597,361</u>     | <u>4,738,470</u>         | <u>4,833,318</u>    | <u>13,341,384</u>    | <u>13,430,679</u>    |
| Total assets                                    | <u>24,375,900</u>       | <u>22,702,751</u>    | <u>5,248,226</u>         | <u>5,323,721</u>    | <u>29,624,126</u>    | <u>28,026,472</u>    |
| <b>Liabilities:</b>                             |                         |                      |                          |                     |                      |                      |
| Other liabilities                               | 4,403,328               | 3,717,842            | 74,227                   | 85,784              | 4,477,555            | 3,803,626            |
| Long-term liabilities:                          |                         |                      |                          |                     |                      |                      |
| Due within one year                             | 1,117,598               | 1,154,195            | 92,338                   | 33,200              | 1,209,936            | 1,187,395            |
| Due in more than one year                       | <u>888,024</u>          | <u>1,270,919</u>     | <u>2,011,560</u>         | <u>2,038,432</u>    | <u>2,899,584</u>     | <u>3,309,351</u>     |
| Total liabilities                               | <u>6,408,950</u>        | <u>6,142,956</u>     | <u>2,178,125</u>         | <u>2,157,416</u>    | <u>8,587,075</u>     | <u>8,300,372</u>     |
| <b>Net Assets:</b>                              |                         |                      |                          |                     |                      |                      |
| Invested in capital assets, net of related debt | 7,994,890               | 7,773,920            | 2,642,986                | 2,764,668           | 10,637,876           | 10,538,588           |
| Restricted                                      | 8,337,359               | 7,012,101            | -                        | -                   | 8,337,359            | 7,012,101            |
| Unrestricted                                    | <u>1,634,701</u>        | <u>1,773,774</u>     | <u>427,115</u>           | <u>401,637</u>      | <u>2,061,816</u>     | <u>2,175,411</u>     |
| Total net assets                                | <u>\$ 17,966,950</u>    | <u>\$ 16,559,795</u> | <u>\$ 3,070,101</u>      | <u>\$ 3,166,305</u> | <u>\$ 21,037,051</u> | <u>\$ 19,726,100</u> |

\* Restated

Total assets increased due to increases in accounts and intergovernmental receivable from the prior year. Total liabilities increased due to an increase in accounts payable from the prior year.

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the County, assets exceeded liabilities by \$21,037,051: \$17,966,950 in governmental activities and \$3,070,101 in business-type activities at the end of the 2005 year.

The County's net assets are reflected in three categories: invested in capital assets, net of related debt, restricted and unrestricted.

The County's largest portion of net assets relates to invested in capital assets, net of related debt. This accounts for 44 percent of net assets. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

The County's smallest portion of total net assets is unrestricted. This accounts for 10 percent of net assets. These net assets represent resources that may be used to meet the County's ongoing obligations to its citizens and creditors.

The remaining balance of \$8,337,359 or 46 percent is restricted assets. The restricted net assets are subject to external restrictions on how they may be used.

At the end of the current fiscal year, the County was able to report positive balances in all three categories of net assets, both for the County as a whole, as well as for its separate governmental and business-type activities. The same was true

**Gallia County**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2005*  
*Unaudited*

for the prior year.

Table 2 shows the changes in net assets for fiscal year 2005 as compared to 2004:

|  | Table 2                 |                      |                          |                     |                      |                      |
|--|-------------------------|----------------------|--------------------------|---------------------|----------------------|----------------------|
|  | Change In Net assets    |                      |                          |                     |                      |                      |
|  | Governmental Activities |                      | Business-Type Activities |                     | Total                |                      |
|  | <u>2005</u>             | <u>2004*</u>         | <u>2005</u>              | <u>2004</u>         | <u>2005</u>          | <u>2004</u>          |
| <b>Revenues</b>                              |                         |                      |                          |                     |                      |                      |
| Program revenues:                            |                         |                      |                          |                     |                      |                      |
| Charges for services                         | \$ 3,215,860            | \$ 3,332,161         | \$ 267,797               | \$ 266,920          | \$ 3,483,657         | \$ 3,599,081         |
| Operating grants, contributions and interest | 15,691,392              | 12,337,906           | -                        | -                   | 15,691,392           | 12,337,906           |
| Capital grants and contributions             | <u>1,439,088</u>        | <u>224,355</u>       | <u>-</u>                 | <u>-</u>            | <u>1,439,088</u>     | <u>224,355</u>       |
| Total Program Revenues                       | 20,346,340              | 15,894,422           | 267,797                  | 266,920             | 20,614,137           | 16,161,342           |
| General revenues:                            |                         |                      |                          |                     |                      |                      |
| Property taxes                               | 2,566,669               | 2,650,018            | -                        | -                   | 2,566,669            | 2,650,018            |
| Sales tax                                    | 3,707,313               | 3,681,637            | -                        | -                   | 3,707,313            | 3,681,637            |
| Grants and entitlements                      | 1,038,044               | 1,330,923            | -                        | -                   | 1,038,044            | 1,330,923            |
| Investment earnings                          | 291,896                 | 331,183              | 12,126                   | 16,111              | 304,022              | 347,294              |
| Miscellaneous                                | <u>558,618</u>          | <u>451,030</u>       | <u>-</u>                 | <u>73</u>           | <u>558,618</u>       | <u>451,103</u>       |
| Total General revenues                       | <u>8,162,540</u>        | <u>8,444,791</u>     | <u>12,126</u>            | <u>16,184</u>       | <u>8,174,666</u>     | <u>8,460,975</u>     |
| Total revenues                               | <u>28,508,880</u>       | <u>24,339,213</u>    | <u>279,923</u>           | <u>283,104</u>      | <u>28,788,803</u>    | <u>24,622,317</u>    |
| <b>Program expenses</b>                      |                         |                      |                          |                     |                      |                      |
| General government:                          |                         |                      |                          |                     |                      |                      |
| Legislative and executive                    | 3,361,844               | 2,716,786            | -                        | -                   | 3,361,844            | 2,716,786            |
| Judicial                                     | 1,186,411               | 1,807,275            | -                        | -                   | 1,186,411            | 1,807,275            |
| Public safety                                | 4,633,551               | 3,852,218            | -                        | -                   | 4,633,551            | 3,852,218            |
| Public works                                 | 4,542,620               | 5,146,678            | -                        | -                   | 4,542,620            | 5,146,678            |
| Health                                       | 2,556,067               | 2,351,064            | -                        | -                   | 2,556,067            | 2,351,064            |
| Human services                               | 8,897,380               | 7,793,536            | -                        | -                   | 8,897,380            | 7,793,536            |
| Conservation and recreation                  | 247,661                 | 172,542              | -                        | -                   | 247,661              | 172,542              |
| Community and economic development           | 869,647                 | 526,532              | -                        | -                   | 869,647              | 526,532              |
| Other  | 774,573                 | 730,469              | -                        | -                   | 774,573              | 730,469              |
| Interest and fiscal charges                  | 31,971                  | 45,342               | -                        | -                   | 31,971               | 45,342               |
| Bidwell/Porter Sewer                         | -                       | -                    | 307,220                  | 294,042             | 307,220              | 294,042              |
| Sewer  | <u>-</u>                | <u>-</u>             | <u>68,907</u>            | <u>89,347</u>       | <u>68,907</u>        | <u>89,347</u>        |
| Total expenses                               | <u>27,101,725</u>       | <u>25,142,442</u>    | <u>376,127</u>           | <u>383,389</u>      | <u>27,477,852</u>    | <u>25,525,831</u>    |
| Change in net assets                         | 1,407,155               | (803,229)            | (96,204)                 | (100,285)           | 1,310,951            | (903,514)            |
| Net Assets at January 1                      | <u>16,559,795</u>       | <u>17,363,024</u>    | <u>3,166,305</u>         | <u>3,266,590</u>    | <u>19,726,100</u>    | <u>20,629,614</u>    |
| Net Assets at December 31                    | <u>\$ 17,966,950</u>    | <u>\$ 16,559,795</u> | <u>\$ 3,070,101</u>      | <u>\$ 3,166,305</u> | <u>\$ 21,037,051</u> | <u>\$ 19,726,100</u> |

\* Restated

**Gallia County**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2005*  
*Unaudited*

As noted earlier in this discussion, governmental activities net assets increased \$1,407,155 and business-type activities decreased \$96,204. Overall revenues increased by \$4,166,486 and expenses increased by \$1,952,021. The operating grants, contributions and interest revenue had the most significant increase of \$3,353,486 that is attributed to an increase in intergovernmental revenue from state and federal sources. Public Safety and Human Services expenses had the most significant increase of \$781,333 and \$1,103,844. The reason for the increase was due to increased costs within the departments.

Table 3, for governmental activities, indicates the total cost of services and the net cost of services. The statement of activities reflects the cost of program services and the charges for services and sales, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted intergovernmental revenues.

Table 3  
 Governmental Activities

|                                    | 2005                 |                     | 2004                 |                     |
|------------------------------------|----------------------|---------------------|----------------------|---------------------|
|                                    | <u>Total Cost</u>    | <u>Net Cost of</u>  | <u>Total Cost</u>    | <u>Net Cost of</u>  |
|                                    | <u>of Services</u>   | <u>Services</u>     | <u>of Services</u>   | <u>Services</u>     |
| <b>Program expenses</b>            |                      |                     |                      |                     |
| General government:                |                      |                     |                      |                     |
| Legislative and executive          | \$ 3,361,844         | \$ 972,656          | \$ 2,716,786         | \$ 1,347,120        |
| Judicial                           | 1,186,411            | 508,960             | 1,807,275            | 1,338,081           |
| Public safety                      | 4,633,551            | 2,257,834           | 3,852,218            | 2,522,387           |
| Public works                       | 4,542,620            | 893,941             | 5,146,678            | 1,290,574           |
| Health                             | 2,556,067            | (1,089,373)         | 2,351,064            | 1,291,790           |
| Human services                     | 8,897,380            | 2,337,762           | 7,793,536            | 625,884             |
| Conservation and recreation        | 247,661              | (213,214)           | 172,542              | 172,233             |
| Community and economic development | 869,647              | 301,866             | 526,532              | (112,540)           |
| Other                              | 774,573              | 753,929             | 730,469              | 727,149             |
| Interest and fiscal charges        | 31,971               | 31,024              | 45,342               | 45,342              |
| Total expenses                     | <u>\$ 27,101,725</u> | <u>\$ 6,755,385</u> | <u>\$ 25,142,442</u> | <u>\$ 9,248,020</u> |

Of the \$27,101,725 total governmental activities expenses, \$20,346,340 or 75 percent was covered by direct charges to users of the services and intergovernmental grants. The majority of program revenues are grants, with the remaining portion consisting of fees and charges for services. These charges are for fees charged for real estate transfers, fees for the collection of property taxes throughout the County, for title fees and for court fees. Public safety charges for services include items such as fees for boarding prisoners, patrolling subdivisions, and for special details. Health includes charges for services provided to clients of the mental retardation board.

Additional revenues were provided to both the governmental and business-type activities by the state and federal governments for operations and capital improvements.

**Gallia County**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2005*  
*Unaudited*

---

**Financial Analysis of the County's Funds**

Governmental Funds - The focus of the County's governmental funds is to provide information on near-term receipts, disbursements, and balances of spendable resources. Such information is useful in assessing the County's financial requirements. In particular, unreserved fund balance may serve as a useful measure of a County's net resources available for spending at the end of the calendar year.

As of the end of the current year, the County's governmental funds reported combined ending fund balances of \$5,545,658. Of this total, \$5,327,833 represents unreserved fund balance, which is available for appropriation at the government's discretion within certain legal constraints and purposes restrictions. The remainder of fund balance is reserved to indicate that it is not available for new spending. While a large amount of the governmental fund balances are not reserved in the governmental fund statements, they lead to restricted net assets on the statement of net assets due to their being restricted for use for a particular purpose mandated by the source of the resources such as the state or federal government or the local tax levy.

The general fund is the chief operating fund of the County. At the end of the current fiscal year, the fund balance of the general fund was \$1,556,982, with a decrease of \$143,171. The decrease is attributed to an increase in expenditures for public safety.

The fund balance of the motor vehicle and gas tax special revenue fund decreased by \$291,699. The job and family services fund, board of mental retardation, and the community development block grant special revenue fund balances decreased by \$150,141, \$84,763, and \$104,800 respectively, while the Early Childhood Grant capital project fund balance increased \$239,170.

Proprietary Fund – The County's only major proprietary fund is the Bidwell/Porter sewer enterprise fund, which accounts for the providing of sewer services to the Bidwell/Porter area. For fiscal years 2004, and 2005, program revenues have not been adequate to cover the costs of the operation. For 2005, the fund had a decrease in net assets of \$116,862.

**Budgetary Highlights - General Fund**

By state statute, the Board of County Commissioners adopts the annual operating budget for the County. Essentially the budget is the County's appropriations which are restricted by the amounts of anticipated revenues certified by the Budget Commission in accordance with the Ohio Revised Code.

The County had several revisions to the original appropriations approved by the County Commissioners. Overall these changes resulted in an increase from the original budget of 9.5 percent or \$694,365 in the general fund. This increase was largely due to the fact that the County transferred out significantly more than originally budgeted. The County spent 98 percent of the amount appropriated in the general fund during 2005.

The general fund's budgeted revenue increased by \$237,988 over the original amount during 2005. This is a result of Gallia County's steady economic conditions. The general fund's budgeted expenditures increased by \$92,310 over the original amount. Fluctuations in growth and diversity have typically not occurred in Gallia County, allowing departmental managers the ability to consistently predict revenues. The County does not increase its estimated revenues unless there are insufficient revenues to cover the total appropriations of the general fund.

**Gallia County**  
*Management's Discussion and Analysis*  
For the Year Ended December 31, 2005  
Unaudited

**Capital Assets and Debt Administration**

**Capital Assets**

The County's investment in capital assets for its governmental and business-type activities as of December 31, 2005 amounts to \$13,341,384, (net of accumulated depreciation). This investment in capital assets includes land and improvements, buildings and improvements, furniture and fixtures, and equipment, vehicles, and infrastructure.

Table 4  
Capital Assets at December 31, 2005 and 2004  
(Net of Depreciation)

|                                   | Governmental Activities |                     | Business-Type Activities |                     | Total                |                      |
|-----------------------------------|-------------------------|---------------------|--------------------------|---------------------|----------------------|----------------------|
|                                   | 2005                    | 2004*               | 2005                     | 2004*               | 2005                 | 2004                 |
| Land                              | \$ 488,565              | \$ 488,565          | \$ -                     | \$ -                | \$ 488,565           | \$ 488,565           |
| Construction in Progress          | -                       | -                   | 60,034                   | 57,242              | 60,034               | 57,242               |
| Land improvements                 | 33,744                  | 38,496              | -                        | -                   | 33,744               | 38,496               |
| Buildings and improvements        | 1,889,781               | 1,972,595           | 4,663,785                | 4,814,718           | 6,553,566            | 6,787,313            |
| Furniture, fixtures and equipment | 2,807,858               | 2,699,308           | 14,651                   | 18,600              | 2,822,509            | 2,717,908            |
| Vehicles                          | 878,451                 | 1,006,861           | -                        | -                   | 878,451              | 1,006,861            |
| Infrastructure                    | 2,504,515               | 2,334,294           | -                        | -                   | 2,504,515            | 2,334,294            |
| <b>Total</b>                      | <b>\$ 8,602,914</b>     | <b>\$ 8,540,119</b> | <b>\$ 4,738,470</b>      | <b>\$ 4,890,560</b> | <b>\$ 13,341,384</b> | <b>\$ 13,430,679</b> |

\* Restated

For more information regarding the County's capital assets, see Note 7 of the notes to the basic financial statements.

**Debt**

At December 31, 2005, the County had total long-term debt obligations outstanding of \$2,690,484. Of this total, \$200,884 is due within one year and \$2,489,600 is due in more than one year. Table 5 below summarizes the bonds and loans outstanding:

Table 5  
Outstanding Debt, at Fiscal Year End

|                          | Governmental Activities |                   | Business-Type Activities |                     | Total               |                     |
|--------------------------|-------------------------|-------------------|--------------------------|---------------------|---------------------|---------------------|
|                          | 2005                    | 2004              | 2005                     | 2004                | 2005                | 2004                |
| General obligation bonds | \$ 595,000              | \$ 702,500        | \$ -                     | \$ -                | \$ 595,000          | \$ 702,500          |
| Loans payable            | -                       | -                 | 249,784                  | 258,492             | 249,784             | 258,492             |
| Revenue bonds            | -                       | -                 | 1,845,700                | 1,867,400           | 1,845,700           | 1,867,400           |
| <b>Total</b>             | <b>\$ 595,000</b>       | <b>\$ 702,500</b> | <b>\$ 2,095,484</b>      | <b>\$ 2,125,892</b> | <b>\$ 2,690,484</b> | <b>\$ 2,828,392</b> |

The general obligation bonds will be repaid by the bond retirement debt service fund. The business-type long-term debt will be repaid by the Bidwell/Porter sewer or other enterprise funds. See Note 9 to the basic financial statements for detail on the County's long-term debt obligations.

At December 31, 2005, the County had outstanding capital leases for \$13,024, with \$9,078 due within one year reported in governmental activities.

At December 31, 2005, the County's overall legal debt margin was \$11,809,805 with an unvoted debt margin of \$5,561,922.



**Gallia County**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2005*  
*Unaudited*

---

**Economic Factors**

The County's budget for the general fund in 2006 is conservative. Revenues are projected to come in slightly less than what was actually received in 2005 and appropriations for 2006 are 5 percent larger than the actual expenditures for 2005. The budget in 2006, calls for a reduction in the ending fund balance.

Much of the reason for the conservative budget centers on the slow down in economic growth and uncertainty of the future economic climate. The County continues to have an unemployment rate that is slightly higher than the state and federal rates. However, all of these rates have increased since 1999. A part of the decline is expected to occur in sales tax revenue, since it is the most volatile and subject to decline if the economic slow down was to continue. The state legislature has reduced the amounts for state based programs including local government, local government revenue assistance and state funded grant programs which may require more local support in order to maintain the current level of service. The County's business-type activities are projected to operate at similar levels as in 2005. The rates charged remain unchanged and expenses for sewer operations are anticipated to remain stable.

**Contacting the County's Financial Management**

This financial report is designed to provide a general overview of the County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report, request for additional financial information or about obtaining the separately issued financial statements of the County's component units should be addressed to Larry M. Betz, Gallia County Auditor, Gallia County Courthouse 18 Locust Street, Gallipolis, Ohio 45631.

This Page Intentionally Left Blank

## Gallia County, Ohio

### Statement of Net Assets

December 31, 2005

|   | Primary Government         |                             |                      | Component Units                  |                            |
|---|----------------------------|-----------------------------|----------------------|----------------------------------|----------------------------|
|   | Governmental<br>Activities | Business-Type<br>Activities | Total                | Gallia-Meigs<br>Regional Airport | Gallco<br>Industries, Inc. |
| <b>Assets:</b>                                  |                            |                             |                      |                                  |                            |
| Equity in pooled cash and cash equivalents      | \$ 4,640,028               | \$ 463,080                  | \$ 5,103,108         | \$ 17,563                        | \$ -                       |
| Cash and cash equivalents:                      |                            |                             |                      |                                  |                            |
| In segregated accounts                          | 34,847                     | -                           | 34,847               | -                                | 104,046                    |
| Materials and supplies inventory                | 212,352                    | -                           | 212,352              | 10,061                           | 9,076                      |
| Receivables:                                    |                            |                             |                      |                                  |                            |
| Property taxes                                  | 2,866,749                  | -                           | 2,866,749            | -                                | -                          |
| Sales taxes                                     | 560,059                    | -                           | 560,059              | -                                | -                          |
| Accounts  | 538,365                    | 46,676                      | 585,041              | -                                | 2,711                      |
| Intergovernmental                               | 6,789,755                  | -                           | 6,789,755            | -                                | -                          |
| Accrued interest                                | 9,560                      | -                           | 9,560                | -                                | -                          |
| Loan  | 70,432                     | -                           | 70,432               | -                                | -                          |
| Prepaid items                                   | 50,839                     | -                           | 50,839               | -                                | -                          |
| Nondepreciable capital assets                   | 488,565                    | 60,034                      | 548,599              | -                                | -                          |
| Depreciable capital assets, net                 | 8,114,349                  | 4,678,436                   | 12,792,785           | 387,001                          | 30,582                     |
| <b>Total assets</b>                             | <b>24,375,900</b>          | <b>5,248,226</b>            | <b>29,624,126</b>    | <b>414,625</b>                   | <b>146,415</b>             |
| <b>Liabilities:</b>                             |                            |                             |                      |                                  |                            |
| Accounts payable                                | 629,090                    | 617                         | 629,707              | -                                | 195                        |
| Intergovernmental payable                       | 631,958                    | 1,972                       | 633,930              | -                                | -                          |
| Accrued wages and benefits                      | 266,801                    | 2,007                       | 268,808              | -                                | -                          |
| Deferred revenue                                | 2,872,674                  | -                           | 2,872,674            | -                                | -                          |
| Accrued interest payable                        | -                          | 69,631                      | 69,631               | -                                | -                          |
| Deposits held and due to others                 | 2,805                      | -                           | 2,805                | -                                | -                          |
| Long-term liabilities:                          |                            |                             |                      |                                  |                            |
| Due within one year                             | 1,117,598                  | 92,338                      | 1,209,936            | -                                | -                          |
| Due in more than one year                       | 888,024                    | 2,011,560                   | 2,899,584            | -                                | -                          |
| <b>Total liabilities</b>                        | <b>6,408,950</b>           | <b>2,178,125</b>            | <b>8,587,075</b>     | <b>-</b>                         | <b>195</b>                 |
| <b>Net assets:</b>                              |                            |                             |                      |                                  |                            |
| Invested in capital assets, net of related debt | 7,994,890                  | 2,642,986                   | 10,637,876           | 387,001                          | 30,582                     |
| Restricted for:                                 |                            |                             |                      |                                  |                            |
| Roads and bridges                               | 2,067,830                  | -                           | 2,067,830            | -                                | -                          |
| Human services                                  | 1,706,097                  | -                           | 1,706,097            | -                                | -                          |
| Community development projects                  | 682,821                    | -                           | 682,821              | -                                | -                          |
| Early Childhood                                 | 1,614,170                  | -                           | 1,614,170            | -                                | -                          |
| Other purposes                                  | 2,266,441                  | -                           | 2,266,441            | -                                | -                          |
| Unrestricted                                    | 1,634,701                  | 427,115                     | 2,061,816            | 27,624                           | 115,638                    |
| <b>Total net assets</b>                         | <b>\$ 17,966,950</b>       | <b>\$ 3,070,101</b>         | <b>\$ 21,037,051</b> | <b>\$ 414,625</b>                | <b>\$ 146,220</b>          |

See accompanying notes to the basic financial statements.

**Gallia County, Ohio**  
*Statement of Activities*  
For the Year Ended December 31, 2005

|                                    | Program Revenues  |                         |  |                                     |
|------------------------------------|-------------------|-------------------------|--|-------------------------------------|
|                                    | Expenses          | Charges<br>for Services | Operating Grants,<br>Contributions<br>and Interest | Capital Grants<br>and Contributions |
| <b>Governmental Activities:</b>    |                   |                         |  |                                     |
| General government:                |                   |                         |  |                                     |
| Legislative and executive          | \$ 3,361,844      | \$ 1,534,960            | \$ 517,996   | \$ 336,232                          |
| Judicial                           | 1,186,411         | 413,256                 | 264,195  | -                                   |
| Public safety                      | 4,633,551         | 657,060                 | 1,718,657  | -                                   |
| Public works                       | 4,542,620         | 11,954                  | 3,173,448  | 463,277                             |
| Health                             | 2,556,067         | 61,150                  | 3,259,290  | 325,000                             |
| Human services                     | 8,897,380         | 525,276                 | 6,034,342  | -                                   |
| Conservation and recreation        | 247,661           | -                       | 146,296  | 314,579                             |
| Community and economic development | 869,647           | -                       | 567,781  | -                                   |
| Other                              | 774,573           | 12,204                  | 8,440  | -                                   |
| Interest and fiscal charges        | 31,971            | -                       | 947  | -                                   |
| Total governmental activities      | <u>27,101,725</u> | <u>3,215,860</u>        | <u>15,691,392</u>                                  | <u>1,439,088</u>                    |
| <b>Business-Type Activities:</b>   |                   |                         |  |                                     |
| Bidwell/Porter Sewer               | 307,220           | 178,232                 | -  | -                                   |
| Sewer                              | 68,907            | 89,565                  | -  | -                                   |
| Total business-type activities     | <u>376,127</u>    | <u>267,797</u>          | <u>-</u>   | <u>-</u>                            |
| Total primary government           | <u>27,477,852</u> | <u>3,483,657</u>        | <u>15,691,392</u>                                  | <u>1,439,088</u>                    |
| <b>Component Unit:</b>             |                   |                         |  |                                     |
| Gallia-Meigs Regional Airport      | 128,922           | 114,199                 | 18,000   | 175,904                             |
| Gallco Industries, Inc.            | 121,911           | 30,942                  | 84,057   | -                                   |
| Total component units              | <u>\$ 250,833</u> | <u>\$ 145,141</u>       | <u>\$ 102,057</u>                                  | <u>\$ 175,904</u>                   |

**General Revenues:**

Property taxes levied for:

General purposes

Board of mental retardation

Sales taxes levied for:

General purposes

Public safety

Grants and entitlements not restricted to specific programs

Investment earnings

Miscellaneous

Total general revenues

Change in net assets

Net assets at beginning of year - Restated

Net assets at end of year

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and Changes in Net Assets

| Primary Government         |                             |                      | Component Units                  |                           |
|----------------------------|-----------------------------|----------------------|----------------------------------|---------------------------|
| Governmental<br>Activities | Business-Type<br>Activities | Total                | Gallia-Meigs<br>Regional Airport | Gallo<br>Industries, Inc. |
| \$ (972,656)               | \$ -                        | \$ (972,656)         | \$ -                             | \$ -                      |
| (508,960)                  | -                           | (508,960)            | -                                | -                         |
| (2,257,834)                | -                           | (2,257,834)          | -                                | -                         |
| (893,941)                  | -                           | (893,941)            | -                                | -                         |
| 1,089,373                  | -                           | 1,089,373            | -                                | -                         |
| (2,337,762)                | -                           | (2,337,762)          | -                                | -                         |
| 213,214                    | -                           | 213,214              | -                                | -                         |
| (301,866)                  | -                           | (301,866)            | -                                | -                         |
| (753,929)                  | -                           | (753,929)            | -                                | -                         |
| (31,024)                   | -                           | (31,024)             | -                                | -                         |
| <u>(6,755,385)</u>         | <u>-</u>                    | <u>(6,755,385)</u>   | <u>-</u>                         | <u>-</u>                  |
| -                          | (128,988)                   | (128,988)            | -                                | -                         |
| -                          | 20,658                      | 20,658               | -                                | -                         |
| <u>-</u>                   | <u>(108,330)</u>            | <u>(108,330)</u>     | <u>-</u>                         | <u>-</u>                  |
| <u>(6,755,385)</u>         | <u>(108,330)</u>            | <u>(6,863,715)</u>   | <u>-</u>                         | <u>-</u>                  |
| -                          | -                           | -                    | 179,181                          | -                         |
| -                          | -                           | -                    | -                                | (6,912)                   |
| <u>-</u>                   | <u>-</u>                    | <u>-</u>             | <u>179,181</u>                   | <u>(6,912)</u>            |
| 1,686,523                  | -                           | 1,686,523            | -                                | -                         |
| 880,146                    | -                           | 880,146              | -                                | -                         |
| 2,965,880                  | -                           | 2,965,880            | -                                | -                         |
| 741,433                    | -                           | 741,433              | -                                | -                         |
| 1,038,044                  | -                           | 1,038,044            | -                                | -                         |
| 291,896                    | 12,126                      | 304,022              | -                                | -                         |
| 558,618                    | -                           | 558,618              | -                                | 832                       |
| <u>8,162,540</u>           | <u>12,126</u>               | <u>8,174,666</u>     | <u>-</u>                         | <u>832</u>                |
| 1,407,155                  | (96,204)                    | 1,310,951            | 179,181                          | (6,080)                   |
| <u>16,559,795</u>          | <u>3,166,305</u>            | <u>19,726,100</u>    | <u>235,444</u>                   | <u>152,300</u>            |
| <u>\$ 17,966,950</u>       | <u>\$ 3,070,101</u>         | <u>\$ 21,037,051</u> | <u>\$ 414,625</u>                | <u>\$ 146,220</u>         |

# Gallia County, Ohio

## Balance Sheet

### Governmental Funds

December 31, 2005

|  | General             | Motor Vehicle<br>and Gas Tax | Job<br>and Family<br>Services |
|--|---------------------|------------------------------|-------------------------------|
| <b>Assets:</b>                             |                     |                              |                               |
| Equity in pooled cash and cash equivalents | \$ 1,267,647        | \$ 476,845                   | \$ 324,078                    |
| Cash and cash equivalents:                 |                     |                              |                               |
| In segregated accounts                     | -                   | -                            | -                             |
| Materials and supplies inventory           | -                   | 200,085                      | 12,267                        |
| Receivables:                               |                     |                              |                               |
| Property taxes                             | 1,874,413           | -                            | -                             |
| Sales taxes                                | 448,047             | -                            | -                             |
| Accounts                                   | 16,332              | -                            | -                             |
| Intergovernmental                          | 365,567             | 1,868,626                    | 2,158,157                     |
| Interfund                                  | 6,155               | -                            | -                             |
| Accrued interest                           | 9,560               | -                            | -                             |
| Loan                                       | -                   | -                            | -                             |
| Prepaid items                              | 50,839              | -                            | -                             |
| Total assets                               | <u>\$ 4,038,560</u> | <u>\$ 2,545,556</u>          | <u>\$ 2,494,502</u>           |
| <b>Liabilities:</b>                        |                     |                              |                               |
| Accounts payable                           | \$ 141,410          | \$ 130,674                   | \$ 142,829                    |
| Accrued wages and benefits                 | 90,428              | 43,143                       | 33,242                        |
| Intergovernmental payable                  | 121,449             | 41,330                       | 259,146                       |
| Interfund payable                          | -                   | -                            | 80,160                        |
| Deferred revenue                           | 2,125,486           | 1,245,751                    | 1,641,779                     |
| Deposits held and due to others            | 2,805               | -                            | -                             |
| Total liabilities                          | <u>2,481,578</u>    | <u>1,460,898</u>             | <u>2,157,156</u>              |
| <b>Fund Balances:</b>                      |                     |                              |                               |
| Reserved for encumbrances                  | 36,702              | -                            | 2,344                         |
| Reserved for loans                         | -                   | -                            | -                             |
| Reserved for unclaimed monies              | 66,783              | -                            | -                             |
| Unreserved:                                |                     |                              |                               |
| Undesignated, reported in:                 |                     |                              |                               |
| General fund                               | 1,453,497           | -                            | -                             |
| Special revenue funds                      | -                   | 1,084,658                    | 335,002                       |
| Capital projects funds                     | -                   | -                            | -                             |
| Total fund balances                        | <u>1,556,982</u>    | <u>1,084,658</u>             | <u>337,346</u>                |
| Total liabilities and fund balances        | <u>\$ 4,038,560</u> | <u>\$ 2,545,556</u>          | <u>\$ 2,494,502</u>           |

See accompanying notes to the basic financial statements.

| Board of<br>Mental<br>Retardation | Community<br>Development<br>Block Grant | Early Childhood<br>Grant | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|-----------------------------------|---|--------------------------|--------------------------------|--------------------------------|
| \$ 49,373                         | \$ 7,795                                | \$ 259,170               | \$ 2,001,863                   | \$ 4,386,771                   |
| 7,246                             | -                                       | -                        | 27,601                         | 34,847                         |
| -                                 | -                                       | -                        | -                              | 212,352                        |
| 992,336                           | -                                       | -                        | -                              | 2,866,749                      |
| -                                 | -                                       | -                        | 112,012                        | 560,059                        |
| 34,717                            | -                                       | -                        | 487,316                        | 538,365                        |
| 87,379                            | 756,810                                 | 1,375,000                | 178,216                        | 6,789,755                      |
| -                                 | -                                       | -                        | 119,269                        | 125,424                        |
| -                                 | -                                       | -                        | -                              | 9,560                          |
| -                                 | -                                       | -                        | 70,432                         | 70,432                         |
| -                                 | -                                       | -                        | -                              | 50,839                         |
| <u>\$ 1,171,051</u>               | <u>\$ 764,605</u>                       | <u>\$ 1,634,170</u>      | <u>\$ 2,996,709</u>            | <u>\$ 15,645,153</u>           |
| \$ 25,241                         | \$ 64,467                               | \$ 5,000                 | \$ 119,469                     | \$ 629,090                     |
| 24,635                            | -                                       | -                        | 70,291                         | 261,739                        |
| 37,457                            | 20,504                                  | 15,000                   | 137,072                        | 631,958                        |
| -                                 | 1,011                                   | -                        | 44,253                         | 125,424                        |
| 1,067,247                         | 678,137                                 | 1,375,000                | 315,079                        | 8,448,479                      |
| -                                 | -                                       | -                        | -                              | 2,805                          |
| <u>1,154,580</u>                  | <u>764,119</u>                          | <u>1,395,000</u>         | <u>686,164</u>                 | <u>10,099,495</u>              |
| -                                 | -                                       | -                        | 41,564                         | 80,610                         |
| -                                 | -                                       | -                        | 70,432                         | 70,432                         |
| -                                 | -                                       | -                        | -                              | 66,783                         |
| -                                 | -                                       | -                        | -                              | 1,453,497                      |
| 16,471                            | 486                                     | -                        | 2,198,549                      | 3,635,166                      |
| -                                 | -                                       | 239,170                  | -                              | 239,170                        |
| <u>16,471</u>                     | <u>486</u>                              | <u>239,170</u>           | <u>2,310,545</u>               | <u>5,545,658</u>               |
| <u>\$ 1,171,051</u>               | <u>\$ 764,605</u>                       | <u>\$ 1,634,170</u>      | <u>\$ 2,996,709</u>            | <u>\$ 15,645,153</u>           |

THIS PAGE IS INTENTIONALLY LEFT BLANK



**Gallia County, Ohio**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Assets of Governmental Activities  
 December 31, 2005*

|  |              |                      |
|--|--------------|----------------------|
| <b>Total governmental fund balances</b>  |              | \$ 5,545,658         |
| <i>Amounts reported for governmental activities in the<br/>statement of net assets are different because:</i>  |              |                      |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.  |              | 8,602,914            |
| Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.   |              |                      |
| Property taxes   | \$ 234,501   |                      |
| Charges for services   | 218,066      |                      |
| Intergovernmental  | 5,123,238    |                      |
| Total  | 5,575,805    | 5,575,805            |
| An internal service fund is used by management to charge the cost of insurance to individuals. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets. |              | 248,195              |
| Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:   |              |                      |
| General obligation bonds   | \$ (595,000) |                      |
| Compensated absences   | (1,397,598)  |                      |
| Capital leases payable   | (13,024)     |                      |
| Total  | (2,005,622)  | (2,005,622)          |
| <b>Net assets of governmental activities</b>   |              | <b>\$ 17,966,950</b> |

See accompanying notes to the basic financial statements.

**Gallia County, Ohio**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Year Ended December 31, 2005*

|  | <u>General</u>      | <u>Motor Vehicle<br/>and Gas Tax</u> |
|--|---------------------|--------------------------------------|
| <b>Revenues:</b>                             |                     |                                      |
| Property taxes                               | \$ 1,738,482        | \$ -                                 |
| Sales taxes                                  | 2,965,880           | -                                    |
| Charges for services                         | 1,065,284           | -                                    |
| Licenses and permits                         | 13,245              | -                                    |
| Fines and forfeitures                        | 18,771              | 8,898                                |
| Intergovernmental                            | 1,250,285           | 3,764,611                            |
| Interest                                     | 264,281             | 23,380                               |
| Other  | 259,635             | 20,511                               |
| Total revenues                               | <u>7,575,863</u>    | <u>3,817,400</u>                     |
| <b>Expenditures:</b>                         |                     |                                      |
| Current:                                     |                     |                                      |
| General government:                          |                     |                                      |
| Legislative and executive                    | 2,147,036           | -                                    |
| Judicial                                     | 906,503             | -                                    |
| Public safety                                | 2,532,049           | -                                    |
| Public works                                 | 123,994             | 4,143,903                            |
| Health                                       | 37,017              | -                                    |
| Human services                               | 266,567             | -                                    |
| Conservation and recreation                  | -                   | -                                    |
| Community and economic development           | -                   | -                                    |
| Other  | 762,432             | -                                    |
| Capital outlay                               | 6,778               | 233,832                              |
| Debt service:                                |                     |                                      |
| Principal retirement                         | 9,474               | -                                    |
| Interest and fiscal charges                  | 1,262               | -                                    |
| Total expenditures                           | <u>6,793,112</u>    | <u>4,377,735</u>                     |
| Excess of revenues over (under) expenditures | <u>782,751</u>      | <u>(560,335)</u>                     |
| <b>Other financing sources (uses):</b>       |                     |                                      |
| Transfers in                                 | -                   | 268,636                              |
| Transfers out                                | (925,922)           | -                                    |
| Total other financing sources (uses)         | <u>(925,922)</u>    | <u>268,636</u>                       |
| Net change in fund balances                  | (143,171)           | (291,699)                            |
| Fund balances at beginning of year           | <u>1,700,153</u>    | <u>1,376,357</u>                     |
| Fund balances (deficit) at end of year       | <u>\$ 1,556,982</u> | <u>\$ 1,084,658</u>                  |

See accompanying notes to the basic financial statements.

| <u>Job and Family Services</u> | <u>Board of Mental Retardation</u> | <u>Community Development Block Grant</u> | <u>Early Childhood Grant</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--------------------------------|------------------------------------|--|------------------------------|---------------------------------|---------------------------------|
| \$ -                           | \$ 914,820                         | \$ -                                     | \$ -                         | \$ -                            | \$ 2,653,302                    |
| -                              | -                                  | -  | -                            | 741,433                         | 3,707,313                       |
| 195,427                        | 49,858                             | -  | -                            | 1,811,097                       | 3,121,666                       |
| -                              | -                                  | -  | -                            | -                               | 13,245                          |
| -                              | -                                  | -  | -                            | 400                             | 28,069                          |
| 6,445,362                      | 1,270,812                          | 686,312                                  | 325,000                      | 3,454,175                       | 17,196,557                      |
| -                              | -                                  | -  | -                            | 4,235                           | 291,896                         |
| 23,874                         | 2,771                              | 19,963                                   | -                            | 231,864                         | 558,618                         |
| <u>6,664,663</u>               | <u>2,238,261</u>                   | <u>706,275</u>                           | <u>325,000</u>               | <u>6,243,204</u>                | <u>27,570,666</u>               |
| -                              | -                                  | -  | -                            | 789,317                         | 2,936,353                       |
| -                              | -                                  | -  | -                            | 263,511                         | 1,170,014                       |
| -                              | -                                  | -  | -                            | 2,048,933                       | 4,580,982                       |
| -                              | -                                  | -  | -                            | 109,900                         | 4,377,797                       |
| -                              | 2,270,407                          | -  | 85,830                       | 107,546                         | 2,500,800                       |
| 6,977,799                      | -                                  | -  | -                            | 1,669,312                       | 8,913,678                       |
| -                              | -                                  | -  | -                            | 210,733                         | 210,733                         |
| -                              | -                                  | 811,075                                  | -                            | 6,439                           | 817,514                         |
| -                              | -                                  | -  | -                            | 12,141                          | 774,573                         |
| 92,153                         | 9,965                              | -  | -                            | 940,750                         | 1,283,478                       |
| -                              | 41,201                             | -  | -                            | 107,500                         | 158,175                         |
| -                              | 1,451                              | -  | -                            | 31,622                          | 34,335                          |
| <u>7,069,952</u>               | <u>2,323,024</u>                   | <u>811,075</u>                           | <u>85,830</u>                | <u>6,297,704</u>                | <u>27,758,432</u>               |
| <u>(405,289)</u>               | <u>(84,763)</u>                    | <u>(104,800)</u>                         | <u>239,170</u>               | <u>(54,500)</u>                 | <u>(187,766)</u>                |
| 255,148                        | -                                  | -  | -                            | 670,774                         | 1,194,558                       |
| -                              | -                                  | -  | -                            | (268,636)                       | (1,194,558)                     |
| <u>255,148</u>                 | <u>-</u>                           | <u>-</u>                                 | <u>-</u>                     | <u>402,138</u>                  | <u>-</u>                        |
| (150,141)                      | (84,763)                           | (104,800)                                | 239,170                      | 347,638                         | (187,766)                       |
| <u>487,487</u>                 | <u>101,234</u>                     | <u>105,286</u>                           | <u>-</u>                     | <u>1,962,907</u>                | <u>5,733,424</u>                |
| <u>\$ 337,346</u>              | <u>\$ 16,471</u>                   | <u>\$ 486</u>                            | <u>\$ 239,170</u>            | <u>\$ 2,310,545</u>             | <u>\$ 5,545,658</u>             |

## Gallia County, Ohio

### *Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended December 31, 2005*

**Net change in fund balances - total governmental funds** \$ (187,766)

*Amounts reported for governmental activities in the  
statement of activities are different because:*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

|   |                  |        |
|---|------------------|--------|
| Capital asset additions                               | \$ 938,631       |        |
| Depreciation expense                                  | <u>(872,772)</u> |        |
| Excess of capital additions over depreciation expense |                  | 65,859 |

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. (3,064)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

|                      |                |                |
|----------------------|----------------|----------------|
| Property taxes       | \$ (86,633)    |                |
| Charges for services | 52,880         |                |
| Intergovernmental    | <u>971,967</u> |                |
| Total                |                | <u>938,214</u> |

Repayment of bond principal and capital leases is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 158,175

The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities. 229,298

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. 2,364

Some expenses reported in the statement of activities, such as compensated absences do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. 204,075

**Change in net assets of governmental activities** \$ 1,407,155

See accompanying notes to the basic financial statements.

**Gallia County, Ohio**  
*Statement of Revenues, Expenditures and Changes in Fund Balance -  
 Budget (Non-GAAP) and Actual*  
**General Fund**  
*For the Year ended December 31, 2005*

|  | Original<br>Budget  | Final<br>Budget    | Actual              | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--|---------------------|--------------------|---------------------|---|
| <b>Revenues:</b>                             |                     |                    |                     |   |
| Property taxes                               | \$ 1,848,084        | \$ 1,802,590       | \$ 1,802,590        | \$ -  |
| Sales taxes                                  | 2,920,000           | 3,017,378          | 3,017,378           | -   |
| Charges for services                         | 981,041             | 1,014,090          | 1,082,003           | 67,913  |
| Licenses and permits                         | 11,353              | 13,245             | 13,245              | -   |
| Fines and forfeitures                        | 16,748              | 19,541             | 19,541              | -   |
| Intergovernmental                            | 1,104,258           | 1,246,422          | 1,246,422           | -   |
| Interest                                     | 300,000             | 254,416            | 255,771             | 1,355   |
| Other  | 277,639             | 329,429            | 257,911             | (71,518)  |
| <b>Total revenues</b>                        | <b>7,459,123</b>    | <b>7,697,111</b>   | <b>7,694,861</b>    | <b>(2,250)</b>  |
| <b>Expenditures:</b>                         |                     |                    |                     |   |
| Current:                                     |                     |                    |                     |   |
| General government:                          |                     |                    |                     |   |
| Legislative and executive                    | 2,074,485           | 2,252,716          | 2,185,883           | 66,833  |
| Judicial                                     | 888,677             | 909,035            | 882,577             | 26,458  |
| Public safety                                | 2,463,245           | 2,580,605          | 2,567,872           | 12,733  |
| Public works                                 | 116,655             | 128,998            | 128,365             | 633   |
| Health                                       | 52,665              | 52,706             | 52,375              | 331   |
| Human services                               | 546,280             | 294,730            | 281,385             | 13,345  |
| Other  | 688,800             | 704,327            | 779,178             | (74,851)  |
| Capital outlay                               | -                   | -                  | 6,778               | (6,778)   |
| <b>Total expenditures</b>                    | <b>6,830,807</b>    | <b>6,923,117</b>   | <b>6,884,413</b>    | <b>38,704</b>   |
| Excess of revenues over (under) expenditures | 628,316             | 773,994            | 810,448             | 36,454  |
| <b>Other financing sources (uses):</b>       |                     |                    |                     |   |
| Advances - in                                | 100,547             | -                  | 100,310             | 100,310   |
| Advances - out                               | -                   | -                  | (4,431)             | (4,431)   |
| Transfers - in                               | -                   | 1,686              | -                   | (1,686)   |
| Transfers - out                              | (450,000)           | (1,052,055)        | (925,922)           | 126,133   |
| <b>Total other financing sources (uses)</b>  | <b>(349,453)</b>    | <b>(1,050,369)</b> | <b>(830,043)</b>    | <b>220,326</b>  |
| Net change in fund balance                   | 278,863             | (276,375)          | (19,595)            | 256,780   |
| Fund balance at beginning of year            | 1,008,022           | 1,008,022          | 1,008,022           | -   |
| Prior year encumbrances appropriated         | 160,661             | 160,661            | 160,661             | -   |
| <b>Fund balance at end of year</b>           | <b>\$ 1,447,546</b> | <b>\$ 892,308</b>  | <b>\$ 1,149,088</b> | <b>\$ 256,780</b>                                       |

See accompanying notes to the basic financial statements.

**Gallia County, Ohio**  
*Statement of Revenues, Expenditures and Changes in Fund Balance -  
 Budget (Non-GAAP) and Actual  
 Motor Vehicle and Gas Tax Fund  
 For the Year ended December 31, 2005*

|  | Original<br>Budget  | Final<br>Budget   | Actual            | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--|---------------------|-------------------|-------------------|---|
| <b>Revenues:</b>                             |                     |                   |                   |   |
| Fines and forfeitures                        | \$ 19,500           | \$ 20,198         | \$ 20,198         | \$ -  |
| Intergovernmental                            | 3,841,500           | 3,686,123         | 3,686,123         | -   |
| Interest                                     | 19,500              | 23,380            | 23,380            | -   |
| Other  | 19,500              | 20,511            | 20,511            | -   |
| Total revenues                               | <u>3,900,000</u>    | <u>3,750,212</u>  | <u>3,750,212</u>  | <u>-</u>  |
| <b>Expenditures:</b>                         |                     |                   |                   |   |
| Current:                                     |                     |                   |                   |   |
| Public works                                 | 3,028,025           | 4,225,225         | 4,010,286         | 214,939   |
| Capital outlay                               | 401,200             | 379,000           | 233,832           | 145,168   |
| Total expenditures                           | <u>3,429,225</u>    | <u>4,604,225</u>  | <u>4,244,118</u>  | <u>360,107</u>  |
| Excess of revenues over (under) expenditures | <u>470,775</u>      | <u>(854,013)</u>  | <u>(493,906)</u>  | <u>360,107</u>  |
| <b>Other financing sources (uses):</b>       |                     |                   |                   |   |
| Transfers - in                               | -                   | 268,636           | 268,636           | -   |
| Net change in fund balance                   | 470,775             | (585,377)         | (225,270)         | 360,107   |
| Fund balance at beginning of year            | 702,112             | 702,112           | 702,112           | -   |
| Prior year encumbrances appropriated         | -                   | -                 | -                 | -   |
| Fund balance at end of year                  | <u>\$ 1,172,887</u> | <u>\$ 116,735</u> | <u>\$ 476,842</u> | <u>\$ 360,107</u>                                       |

See accompanying notes to the basic financial statements.

**Gallia County, Ohio**  
*Statement of Revenues, Expenditures and Changes in Fund Balance -  
 Budget (Non-GAAP) and Actual*  
*Job and Family Services Fund*  
*For the Year ended December 31, 2005*

|  | Original<br>Budget | Final<br>Budget     | Actual           | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--|--------------------|---------------------|------------------|---|
| <b>Revenues:</b>                             |                    |                     |                  |   |
| Charges for services                         | \$ 397,181         | \$ 347,298          | \$ 347,298       | \$ -  |
| Intergovernmental                            | 6,080,650          | 6,365,757           | 6,361,248        | (4,509)   |
| Other  | 354,350            | 19,365              | 23,874           | 4,509   |
| Total revenues                               | <u>6,832,181</u>   | <u>6,732,420</u>    | <u>6,732,420</u> | <u>-</u>  |
| <b>Expenditures:</b>                         |                    |                     |                  |   |
| Current:                                     |                    |                     |                  |   |
| Human services                               | 7,264,922          | 7,706,478           | 7,244,089        | 462,389   |
| Excess of revenues over (under) expenditures | <u>(432,741)</u>   | <u>(974,058)</u>    | <u>(511,669)</u> | <u>462,389</u>  |
| <b>Other financing sources (uses):</b>       |                    |                     |                  |   |
| Transfers - in                               | 255,148            | 255,148             | 255,148          | -   |
| Net change in fund balance                   | (177,593)          | (718,910)           | (256,521)        | 462,389   |
| Fund balance at beginning of year            | 190,527            | 190,527             | 190,527          | -   |
| Prior year encumbrances appropriated         | 140,599            | 140,599             | 140,599          | -   |
| Fund balance at end of year                  | <u>\$ 153,533</u>  | <u>\$ (387,784)</u> | <u>\$ 74,605</u> | <u>\$ 462,389</u>                                       |

See accompanying notes to the basic financial statements.

**Gallia County, Ohio**  
*Statement of Revenues, Expenditures and Changes in Fund Balance -  
 Budget (Non-GAAP) and Actual*  
*Board of Mental Retardation Fund*  
*For the Year ended December 31, 2005*

|                                      | Original<br>Budget | Final<br>Budget  | Actual           | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--------------------------------------|--------------------|------------------|------------------|---|
| <b>Revenues:</b>                     |                    |                  |                  |   |
| Property taxes                       | \$ 884,755         | \$ 941,594       | \$ 941,594       | \$ -  |
| Charges for services                 | 25,000             | 15,560           | 15,560           | -   |
| Intergovernmental                    | 1,417,312          | 1,290,129        | 1,290,129        | -   |
| Other                                | 12,047             | 2,771            | 2,771            | -   |
| Total revenues                       | <u>2,339,114</u>   | <u>2,250,054</u> | <u>2,250,054</u> | <u>-</u>  |
| <b>Expenditures:</b>                 |                    |                  |                  |   |
| Current:                             |                    |                  |                  |   |
| Health                               | <u>2,288,672</u>   | <u>2,351,877</u> | <u>2,315,482</u> | <u>36,395</u>   |
| Net change in fund balance           | 50,442             | (101,823)        | (65,428)         | 36,395  |
| Fund balance at beginning of year    | 103,897            | 103,897          | 103,897          | -   |
| Prior year encumbrances appropriated | 10,905             | 10,905           | 10,905           | -   |
| Fund balance at end of year          | <u>\$ 165,244</u>  | <u>\$ 12,979</u> | <u>\$ 49,374</u> | <u>\$ 36,395</u>  |

See accompanying notes to the basic financial statements.



**Gallia County, Ohio**  
*Statement of Revenues, Expenditures and Changes in Fund Balance -  
 Budget (Non-GAAP) and Actual*  
**Community Development Block Grant Fund**  
*For the Year ended December 31, 2005*

|  | Original<br>Budget | Final<br>Budget     | Actual          | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--|--------------------|---------------------|-----------------|---|
| <b>Revenues:</b>                             |                    |                     |                 |   |
| Charges for services                         | \$ -               | \$ -                | \$ -            | \$ -  |
| Intergovernmental                            | 849,200            | 853,941             | 832,967         | (20,974)  |
| Other  | -                  | -                   | 19,963          | 19,963  |
| Total revenues                               | <u>849,200</u>     | <u>853,941</u>      | <u>852,930</u>  | <u>(1,011)</u>  |
| <b>Expenditures:</b>                         |                    |                     |                 |   |
| Current:                                     |                    |                     |                 |   |
| Community and economic development           | 849,200            | 1,623,314           | 748,908         | 874,406   |
| Total expenditures                           | <u>849,200</u>     | <u>1,623,314</u>    | <u>748,908</u>  | <u>874,406</u>  |
| Excess of revenues over (under) expenditures | -                  | (769,373)           | 104,022         | 873,395   |
| <b>Other financing sources (uses):</b>       |                    |                     |                 |   |
| Advances - in                                | -                  | -                   | 1,011           | 1,011   |
| Advances - out                               | -                  | -                   | (97,238)        | (97,238)  |
| Total other financing sources (uses)         | <u>-</u>           | <u>-</u>            | <u>(96,227)</u> | <u>(96,227)</u>   |
| Net change in fund balance                   | -                  | (769,373)           | 7,795           | 777,168   |
| Fund balance at beginning of year            | -                  | -                   | -               | -   |
| Fund balance at end of year                  | <u>\$ -</u>        | <u>\$ (769,373)</u> | <u>\$ 7,795</u> | <u>\$ 777,168</u>                                       |

See accompanying notes to the basic financial statements.

**Gallia County, Ohio**  
*Statement of Fund Net Assets*  
*Proprietary Funds*  
*December 31, 2005*

|   | Bidwell/Porter<br>Sewer | Other Enterprise<br>Funds | Total<br>Enterprise | Governmental<br>Activities<br>Internal<br>Service |
|---|-------------------------|---------------------------|---------------------|---|
| <b>Assets:</b>                                  |                         |                           |                     |   |
| Current assets:                                 |                         |                           |                     |   |
| Equity in pooled cash and cash equivalents      | \$ 422,880              | \$ 40,200                 | \$ 463,080          | \$ 253,257  |
| Receivables                                     |                         |                           |                     |   |
| Accounts  | 36,779                  | 9,897                     | 46,676              | -   |
| Total current assets                            | 459,659                 | 50,097                    | 509,756             | 253,257   |
| Noncurrent assets:                              |                         |                           |                     |   |
| Construction in progress                        | -                       | 60,034                    | 60,034              | -   |
| Depreciable capital assets, net                 | 4,316,022               | 362,414                   | 4,678,436           | -   |
| Total assets                                    | 4,775,681               | 472,545                   | 5,248,226           | 253,257   |
| <b>Liabilities:</b>                             |                         |                           |                     |   |
| Current liabilities:                            |                         |                           |                     |   |
| Accounts payable                                | 617                     | -                         | 617                 | -   |
| Accrued wages and benefits                      | 1,481                   | 526                       | 2,007               | 5,062   |
| Intergovernmental payable                       | 1,453                   | 519                       | 1,972               | -   |
| Accrued interest payable                        | 69,631                  | -                         | 69,631              | -   |
| Compensated absences                            | -                       | 3,954                     | 3,954               | -   |
| Revenue bonds payable                           | 22,600                  | -                         | 22,600              | -   |
| OWDA loans payable                              | -                       | 60,034                    | 60,034              | -   |
| OPWC loans payable                              | 5,750                   | -                         | 5,750               | -   |
| Total current liabilities                       | 101,532                 | 65,033                    | 166,565             | 5,062   |
| Long-term liabilities:                          |                         |                           |                     |   |
| Compensated absences                            | -                       | 4,460                     | 4,460               | -   |
| Revenue bonds payable                           | 1,823,100               | -                         | 1,823,100           | -   |
| OPWC loans                                      | 184,000                 | -                         | 184,000             | -   |
| Total long-term liabilities                     | 2,007,100               | 4,460                     | 2,011,560           | -   |
| Total liabilities                               | 2,108,632               | 69,493                    | 2,178,125           | 5,062   |
| <b>Net assets:</b>                              |                         |                           |                     |   |
| Invested in capital assets, net of related debt | 2,280,572               | 362,414                   | 2,642,986           | -   |
| Unrestricted                                    | 386,477                 | 40,638                    | 427,115             | 248,195   |
| Total net assets                                | \$ 2,667,049            | \$ 403,052                | \$ 3,070,101        | \$ 248,195  |

See accompanying notes to the basic financial statements.

**Gallia County, Ohio**  
*Statement of Revenues, Expenses and Changes in Net Assets*  
*Proprietary Funds*  
*For the Year Ended December 31, 2005*

|   | Bidwell/Porter<br>Sewer | Other Enterprise<br>Funds | Total               | Governmental<br>Activities<br>Internal<br>Service |
|---|-------------------------|---------------------------|---------------------|---|
| <b>Operating revenues:</b>                        |                         |                           |                     |   |
| Charges for services                              | \$ 178,232              | \$ 89,565                 | \$ 267,797          | \$ -  |
| Other   | -                       | -                         | -                   | 831,355   |
| Total operating revenues                          | <u>178,232</u>          | <u>89,565</u>             | <u>267,797</u>      | <u>831,355</u>                                    |
| <b>Operating expenses:</b>                        |                         |                           |                     |   |
| Personal services                                 | 44,636                  | 18,075                    | 62,711              | 602,057   |
| Contract services                                 | 20,475                  | 34,841                    | 55,316              | -   |
| Materials and supplies                            | 5,442                   | 2,340                     | 7,782               | -   |
| Depreciation                                      | 145,936                 | 8,946                     | 154,882             | -   |
| Other   | 7,286                   | 4,705                     | 11,991              | -   |
| Total operating expenses                          | <u>223,775</u>          | <u>68,907</u>             | <u>292,682</u>      | <u>602,057</u>                                    |
| Operating income (loss)                           | <u>(45,543)</u>         | <u>20,658</u>             | <u>(24,885)</u>     | <u>229,298</u>                                    |
| <b>Nonoperating revenues (expenses):</b>          |                         |                           |                     |   |
| Interest income                                   | 12,126                  | -                         | 12,126              | -   |
| Interest and fiscal charges                       | (83,445)                | -                         | (83,445)            | -   |
| Total nonoperating revenues (expenses)            | <u>(71,319)</u>         | <u>-</u>                  | <u>(71,319)</u>     | <u>-</u>  |
| Change in net assets before capital contributions | (116,862)               | 20,658                    | (96,204)            | 229,298   |
| Capital contributions - Capital grants            | -                       | -                         | -                   | -   |
| Net assets at beginning of year - Restated        | 2,783,911               | 382,394                   | 3,166,305           | 18,897  |
| Net assets at end of year                         | <u>\$ 2,667,049</u>     | <u>\$ 403,052</u>         | <u>\$ 3,070,101</u> | <u>\$ 248,195</u>                                 |

See accompanying notes to the basic financial statements.

**Gallia County, Ohio**  
*Statement of Cash Flows*  
*Proprietary Funds*  
For the Year Ended December 31, 2005

|   | Bidwell/Porter<br>Sewer | Other Enterprise<br>Funds | Total<br>Enterprise | Governmental<br>Activities<br>Internal<br>Service |
|---|-------------------------|---------------------------|---------------------|---|
| <b>Cash flows from operating activities:</b>  |                         |                           |                     |   |
| Cash received from customers  | \$ 173,331              | \$ 87,647                 | \$ 260,978          | \$ -  |
| Cash received from other operating revenue  | -                       | -                         | -                   | 831,355   |
| Cash payments for personal services   | (42,917)                | (24,748)                  | (67,665)            | -   |
| Cash payments for contract services and materials and supplies                        | (25,300)                | (37,181)                  | (62,481)            | (596,995)   |
| Cash payments for other expenses  | (7,286)                 | (5,905)                   | (13,191)            | -   |
| Net cash provided by operating activities   | <u>97,828</u>           | <u>19,813</u>             | <u>117,641</u>      | <u>234,360</u>                                    |
| <b>Cash flows from capital and related financing activities:</b>                      |                         |                           |                     |   |
| Receipts from capital grants  | -                       | -                         | -                   | -   |
| Principal paid on notes and loans   | (33,200)                | -                         | (33,200)            | -   |
| Interest paid on notes and loans  | (84,033)                | -                         | (84,033)            | -   |
| Net cash used for capital and related financing activities                            | <u>(117,233)</u>        | <u>-</u>                  | <u>(117,233)</u>    | <u>-</u>  |
| <b>Cash flows from investing activities:</b>  |                         |                           |                     |   |
| Cash received from interest   | <u>12,126</u>           | <u>-</u>                  | <u>12,126</u>       | <u>-</u>  |
| Net increase in cash and cash equivalents   | (7,279)                 | 19,813                    | 12,534              | 234,360   |
| Cash and cash equivalents at beginning of year - Restated                             | <u>430,159</u>          | <u>20,387</u>             | <u>450,546</u>      | <u>18,897</u>                                     |
| Cash and cash equivalents at end of year  | <u>\$ 422,880</u>       | <u>\$ 40,200</u>          | <u>\$ 463,080</u>   | <u>\$ 253,257</u>                                 |
| <b>Reconciliation of operating loss to net cash provided by operating activities:</b> |                         |                           |                     |   |
| Operating income (loss)   | \$ (45,543)             | \$ 20,658                 | \$ (24,885)         | \$ 229,298  |
| Adjustments to reconcile operating loss to net cash provided by operating activities: |                         |                           |                     |   |
| Depreciation  | 145,936                 | 8,946                     | 154,882             | -   |
| Changes in assets and liabilities:  |                         |                           |                     |   |
| (Increase) decrease in assets:  |                         |                           |                     |   |
| Accounts receivable   | (4,901)                 | (1,918)                   | (6,819)             | -   |
| Increase (decrease) in liabilities:   |                         |                           |                     |   |
| Accounts payable  | 617                     | (1,200)                   | (583)               | -   |
| Accrued wages and benefits  | 979                     | (144)                     | 835                 | 5,062   |
| Intergovernmental payable   | 740                     | (433)                     | 307                 | -   |
| Compensated absences payable  | -                       | (6,096)                   | (6,096)             | -   |
| Net cash provided by operating activities   | <u>\$ 97,828</u>        | <u>\$ 19,813</u>          | <u>\$ 117,641</u>   | <u>\$ 234,360</u>                                 |

See accompanying notes to the basic financial statements.

**Gallia County, Ohio**  
*Statement of Fiduciary Assets and Liabilities*  
*Fiduciary Funds*  
*December 31, 2005*

|  | Agency        |
|--|---------------|
| <b>Assets:</b>                             |               |
| Equity in pooled cash and cash equivalents | \$ 2,274,530  |
| Cash and cash equivalents:                 |               |
| In segregated accounts                     | 381,045       |
| Receivables:                               |               |
| Property taxes                             | 21,976,396    |
| Accounts                                   | 267,951       |
| Intergovernmental                          | 1,853,857     |
| Special assessment                         | 33,068        |
| Total assets                               | \$ 26,786,847 |
| <br><b>Liabilities:</b>                    |               |
| Intergovernmental payable                  | \$ 23,420,112 |
| Undistributed monies                       | 3,359,665     |
| Deposits held and due to others            | 7,070         |
| Total liabilities                          | \$ 26,786,847 |

See accompanying notes to the basic financial statements.

THIS PAGE IS INTENTIONALLY LEFT BLANK

**Gallia County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2005*

---

**NOTE 1 - DESCRIPTION OF GALLIA COUNTY AND REPORTING ENTITY**

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 officials elected by the voters of the County that manage various segments of the County's operations are the County Auditor, County 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 operations of their respective departments, the County Commissioners authorize expenditures as well as serve as the budget and taxing authority, contracting body and the chief administrators of public services for the entire County.

**Reporting Entity**

For financial reporting purposes, the County complies with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, as amended by GASB Statement No. 39, in defining the financial 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 Gallia County Board of Mental Retardation and Development Disabilities, Gallia County Children Services Board, Gallia County Job and Family Services and departments and activities that are directly operated 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 for which the County approves the budget, the issuance of debt or levying of taxes.

**Discretely Presented Components Units**

The component unit columns in the basic financial statements 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 discretely presented component unit of Gallia County. Gallco Industries, Inc. operates on a calendar year basis. 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 Basic Financial Statements*  
*For the Year Ended December 31, 2005*

---

**NOTE 1 - DESCRIPTION OF GALLIA COUNTY AND REPORTING ENTITY** *(Continued)*

*Gallia-Meigs Regional Airport* - The Gallia-Meigs Regional Airport operates under a separate board that consists of seven members. Five members are appointed by Gallia County. The Gallia County Commissioners approve the budget, expenditures, fund deficits and are directly responsible for their 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 utilizes the facilities of 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 County Commissioners and the airport authority's name. Meigs County does not contribute financially to the Airport operations. The Gallia-Meigs Regional Airport is reflected as a discretely presented component unit of Gallia County. Complete audited financial statements of the component unit can be obtained from the Gallia County Commissioners' Office, Gallia County Courthouse, 18 Locust Street, Gallipolis, OH 45631.

The following entities 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, Vinton Retired and Senior Volunteer Program
- Gallia County Animal Welfare, Inc.

The County is associated with the following organizations that are defined as jointly governed organizations, related organizations or risk management pool. These organizations are presented in Notes 18, 19 and 20 to the basic financial statements.

- Joint Solid Waste Management District
- Gallia-Jackson-Meigs Counties Alcohol, Drug Addiction and Mental Health Services Board (ADAMH)
- Gallia-Jackson-Meigs Counties Cluster
- Area Agency on Aging District 7, Inc.
- Ohio Valley Regional Development Commission
- Southeastern Ohio Corrections Commission
- Gallia-Meigs Community Action Agency
- Gallia-Jackson Child Abuse and Neglect Advisory Board
- O.O. McIntyre Park District
- Bossard Memorial Library
- Gallia Metropolitan Housing Authority
- County Risk Sharing Authority (CORSA)
- Ohio Valley Resource Conservation and Development Area, Inc.
- County Commissioners Association of Ohio Workers' Compensation Group Rating Plan
- Southern Ohio Council of Governments



**Gallia County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2005*

---

**NOTE 1 - DESCRIPTION OF GALLIA COUNTY AND REPORTING ENTITY** *(Continued)*

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

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 legally 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 are presented as agency funds within the County's financial statements.

***Gallia County Health Department*** is governed by a five 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 Council on Aging*** is operated under a separate board of directors, which currently consists of 18 members from various clubs, companies, and the Gallia County community. Although the County collects tax monies for the Council, the County is not involved in the selection of directors or management of the Council on Aging or in the authorization of expenditures.

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

The basic financial statements of the County have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The County also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its business-type activities and enterprise funds provided they do not conflict with or contradict GASB pronouncements. The County has elected not to follow FASB guidance for business-type activities and enterprise funds issued after November 30, 1989. The most significant of the County's accounting policies are described below.

**Gallia County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2005*

---

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

**A. Basis of Presentation**

The County's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

**Government-Wide Financial Statements** - The statement of net assets and the statement of activities display information about the County as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses. The statements distinguish between those activities of the County that are governmental and those that are considered business-type activities.

The statement of net assets presents the financial condition of the governmental and business-type activities of the County at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the County's governmental activities and for the single business-type activity of the County. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. The policy of the County is to not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the County, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the County.

**Fund Financial Statements** - During the year, the County segregates transactions related to certain County functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the County at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

**B. Fund Accounting**

The County uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to specific County functions or activities. There are three categories of funds: governmental, proprietary and fiduciary.

**Governmental Funds** - Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the County's major governmental funds:

**General Fund** - This fund is the operating fund of the County and is used to account for all financial resources 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.

**Motor Vehicle and Gas Tax Fund** - This fund accounts for the County road and bridge maintenance, repair and improvement programs. Revenue sources include Federal and State grants and distributions.

**Gallia County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2005*

---

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

**Job and Family Services Fund** - This fund accounts for various Federal and State grants, as well as transfers from the general fund that are used to provide public assistance to general relief recipients and to pay their providers of medical assistance and certain public social services.

**Board of Mental Retardation Fund** - This fund accounts for the operation of a school, workshop and resident homes for the mentally retarded and developmentally disabled. Revenue sources include a county-wide property tax levy and Federal and State grants.

**Community Development Block Grant Fund** - This fund accounts for federal community development block grant monies. The funds are expended by the County in poverty and low-income areas or awarded to other subdivisions for capital improvement projects that meet the federal criteria.

**Early Childhood Grant Fund** – This fund accounts for state monies received for capital assistance for construction of a new Early Childhood Family Center.

The other governmental funds of the County account for grants and other resources and capital projects, whose use is restricted for a particular purpose.

**Proprietary Funds** - Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service.

Enterprise funds are used to report the same functions presented as business type activities in the government-wide financial statements. Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods and services. The following is the County's only major enterprise fund:

**Bidwell/Porter Sewer Fund** - The Bidwell/Porter sewer fund accounts for the operation of the Bidwell/Porter sewer system.

Internal Service Fund – The Employee Benefits Trust Fund internal service fund accounts for funds held in reserve to cover excess costs in providing health insurance for the County's employees. In the previous year, this fund was recorded as an agency fund and was reclassified to an internal service fund for the current year.

**Fiduciary Funds** - Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary funds consist of agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

The County's fiduciary funds are agency funds. The County's agency funds account for assets held for political subdivisions in which the County acts as fiscal agent and for taxes, state-levied shared revenues, and fines and forfeitures that have been collected and which will be distributed to other political subdivisions.

**C. Measurement Focus**

**Government-Wide Financial Statements** - The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the County are included on the statement of net assets. The Statement of Activities presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets.

**Fund Financial Statements** - All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

**Gallia County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2005*

---

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

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the County finances and meets the cash flow needs of its proprietary activities.

**D. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

**Revenues - Exchange and Nonexchange 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”. “Measurable” means the amount of the transaction can be determined and “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 year-end.

Nonexchange transactions, in which the County receives value without directly giving equal value in return, include sales taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from sales taxes is recognized in the period in which the taxable sale takes place. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 11). Revenue from grants, entitlements and donations 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 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 nonexchange 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 year-end: delinquent property taxes, sales taxes, charges for services and fees, fines and forfeitures, state-levied locally shared taxes (including motor vehicle license fees and gasoline taxes), grants, and interest.

**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, 2005, but which were levied to finance fiscal year 2006 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

**Expenses/Expenditures** - On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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 governmental funds.

**Gallia County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2005*

---

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

**E. Budgetary Process**

All funds, except Jail Commissary (special revenue), Law Enforcement - Prosecutor (special revenue) and fiduciary funds, are legally required to be budgeted and appropriated. 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 tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the County Commissioners may appropriate. The appropriations resolution is the County Commissioners' authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the County Commissioners. The level of control has been established by County Commissioners at the fund, function and object level for the general fund and the fund level for all other funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the County Auditor. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts in the amended certificate of estimated resources in effect at the time the final appropriations were passed.

The appropriations resolution is subject to amendment by the County Commissioners throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the tax budget approved by the County Commissioners. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the County Commissioners during the year.

**F. Cash and Cash Equivalents**

To improve cash management, cash received by the County is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. 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 basic financial statements.

Cash and cash equivalents that are held separately within the departments of the County and not included in the County Treasury are recorded as "cash and cash equivalents in segregated accounts".

Interest revenue is distributed by the County to the general fund, motor vehicle gas tax fund, and the children services trust fund. Interest revenue credited to the general fund during 2005 amounted to \$264,281, which includes \$216,965 assigned from other County funds.

For presentation on the financial statements, funds included within the Treasurer's cash management pool and investments with original maturities of three months or less are considered to be cash and cash equivalents.

**G. Inventory**

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

**Gallia County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2005*

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

On fund financial statements, 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 cost of inventory items is recorded as an expenditure in the governmental funds and as an expense in the enterprise fund when used.

**H. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond December 31, 2005, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

**I. Capital Assets**

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the enterprise fund are reported both in the business-type activities column of the government-wide statement of net assets and in the fund.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The County raised their capitalization threshold in 2005 from five hundred dollars to one thousand dollars. Beginning in 2004, the County's capitalization threshold for infrastructure is as follows: \$100,000 for roads, bridges and culverts and \$50,000 for all traffic signals, street lighting, signage, guardrails, retaining walls and related items. The County's infrastructure consists of roads, bridges, culverts and sanitary sewer lines. During 2003, the County elected to phase in their infrastructure. Therefore, the County has reported current year additions for 2005, however amounts prior to 2003 will be captured in the future. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of enterprise fund capital assets is also capitalized.

All capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the County's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

| Description             | Governmental<br>Activities<br>Estimated Lives | Business-Type<br>Activities<br>Estimated Lives |
|-------------------------|---|--|
| Buildings               | 20-40 years                                   | 20-40 years                                    |
| Land Improvements       | 20 years                                      | 20 years                                       |
| Machinery and equipment | 10-15 years                                   | 10-15 years                                    |
| Furniture and fixtures  | 5-20 years                                    | 5-20 years                                     |
| Vehicles                | 8 years                                       | 8 years  |
| Infrastructure          | 10-40 years                                   | n/a  |

**J. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans and amounts due to or from other funds for services provided and used are classified as "interfund receivables/payables." These amounts are eliminated in the governmental and business-type activities columns of the statement of net assets, except for any net residual amounts due between governmental and business-type activities, which are presented as internal receivables and payables. As of December 31, 2005, there were no internal receivables and payables to report on the statement of net assets.

**Gallia County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2005*

---

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

**K. Compensated Absences**

The County reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences" as interpreted by Interpretation No. 6 of the GASB, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements".

Vacation and compensatory time benefits 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 employer will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those employees for whom it is probable will become eligible to receive payment in the future. The County has determined that employees with the County for one to ten years, depending on each department, are probable to receive payment in the future. The liability is based on accumulated sick leave and employees' wage rates at year end.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental funds, the current portion of unpaid compensated absences is the amount that is normally expected to be paid as payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

**L. Accrued Liabilities and Long-term Obligations**

All payables, accrued liabilities and long-term obligations are reported on the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences that will be paid from governmental funds are reported as a liability on the fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases and long-term notes and loans are recognized as a liability in the governmental fund financial statements when due.

**M. Fund Balance Reserves**

The County reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available, spendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates the portion of fund equity which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances, loans, and unclaimed monies.

**N. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The County's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. Net assets restricted for other purposes include resources restricted for Federal and State grants restricted to expenditure for specified purposes.

**Gallia County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2005*

---

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

**O. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the County, these revenues are charges for services for sewer services. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the fund. Revenues and expenses not meeting these definitions are reported as nonoperating.

**P. Interfund Transactions**

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements. Interfund transfers within governmental activities and within business-type activities have been eliminated in the government-wide statement of activities.

**Q. Estimates**

The preparation of the 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.

**NOTE 3 - BUDGETARY BASIS OF ACCOUNTING**

While the County is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (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 "Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP) and Actual is presented for the general fund and major special revenue funds on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and modified accrual GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance.
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. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).



**Gallia County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2005*

**NOTE 3 - BUDGETARY BASIS OF ACCOUNTING** (Continued)

The following table summarizes the adjustments necessary to reconcile the GAAP and budgetary basis statements for the general fund and major special revenue funds:

| Net Change in Fund Balances |              |                                 |                               |                                   |   |
|-----------------------------|--------------|---------------------------------|-------------------------------|-----------------------------------|---|
|                             | General      | Motor<br>Vehicle<br>and Gas Tax | Job and<br>Family<br>Services | Board of<br>Mental<br>Retardation | Community<br>Development<br>Block Grant |
| GAAP Basis                  | \$ (143,171) | \$ (291,699)                    | \$ (150,141)                  | \$ (84,763)                       | \$ (104,800)                            |
| Net Adjustments for:        |              |                                 |                               |                                   |   |
| Revenue accruals            | 118,998      | (67,188)                        | 67,757                        | 11,793                            | 146,655                                 |
| Expenditure accruals        | 22,883       | 133,617                         | 74,973                        | 7,542                             | 62,167                                  |
| Advances -in / out          | 95,879       | -                               | -                             | -                                 | (96,227)                                |
| Adjustment for encumbrances | (114,184)    | -                               | (249,110)                     | -                                 | -                                       |
| Budget basis                | \$ (19,595)  | \$ (225,270)                    | \$ (256,521)                  | \$ (65,428)                       | \$ 7,795                                |

**NOTE 4 - CASH, DEPOSITS AND INVESTMENTS**

**A. Primary Government**

The investment and deposits of County monies are governed by the Ohio Revised Code. State statutes classify monies held by the County into two categories. Active monies are public monies determined to be necessary to meet current demand upon the County treasury. Active monies must be maintained wither as cash in the County treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive monies may be deposited or invested in the following securities:

1. United States treasury notes, bills, bonds or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any 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;
3. Written repurchase agreements in the securities listed above provide that the fair 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 value daily, and that the term of the agreement must not exceed thirty days;
4. Bond and other obligations of the State of Ohio or its political subdivisions provided that such political subdivisions are located wholly or partly within the County;
5. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;

**Gallia County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2005*

---

**NOTE 4 - CASH, DEPOSITS AND INVESTMENTS** *(Continued)*

6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investment in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAROhio);
8. Securities lending agreements in which the County lends securities and the eligible institution agrees to exchange either securities described in division (1) or (2) or cash or both securities and cash, equal value for equal value;
9. High grade commercial paper in an amount that does not exceed five percent of the County's total average portfolio;
10. Bankers acceptances for a period not to exceed 270 days and in an amount not to exceed ten percent of the County's total average portfolio.

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.

Protection of the County's deposits is provided by the Federal Deposit Insurance Corporation, 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 moneys deposited with the institution.

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, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**Undeposited Cash**

At year-end, the County had \$339,504 in undeposited cash on hand which is included as part of "equity in pooled cash and cash equivalents."

**Deposits**

Custodial credit risk is the risk that, in the event of a bank failure, the County's deposits may not be returned. According to state law, public depositories must give security for all public funds on deposit in excess of those funds that are insured by the federal deposit insurance corporation (FDIC) or by any other agency or instrumentality of the federal government. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution. The County's policy is to deposit money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

**Gallia County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2005*

---

**NOTE 4 - CASH, DEPOSITS AND INVESTMENTS** (Continued)

As of December 31, the carrying amount of the County's deposits was \$ 7,454,026. The County's bank balance of \$8,252,445 was exposed to custodial credit risk as follows:

|   |              |
|---|--------------|
| Uninsured and collateral held by pledging bank's trust<br>department and not in the County's name | \$ 7,821,319 |
|---|--------------|

**B. Component Units**

**Deposits and Investments**

Cash and cash equivalents held by Gallco Industries, Inc. is classified as "cash and cash equivalents in segregated accounts" where the Gallia-Meigs Regional Airport Authority's balance is classified as "equity in pooled cash and cash equivalents". The County is the fiscal agent for the Airport Authority and reports their portion of cash within an agency fund.

Gallco Industries, Inc. At year end, the carrying amount of Gallco Industries, Inc. deposits was \$104,046 and the bank balance was \$115,831. There are no statutory guidelines regarding the deposit and investment of funds by the non-profit corporation.

Gallia-Meigs Regional Airport Authority At year end, the amount of the Gallia-Meigs Regional Airport Authority equity in the County's internal investment pool was \$17,563.

**NOTE 5 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

|   |            |
|---|------------|
| Due to general fund from:                                 |            |
| Community development block grant                         | \$ 1,011   |
| Nonmajor governmental funds                               | 5,144      |
| Total due to general fund from other funds                | \$ 6,155   |
|   |            |
| Due to nonmajor governmental funds from:                  |            |
| Job and family services                                   | \$ 80,160  |
| Nonmajor governmental fund                                | 39,109     |
| Total due to nonmajor governmental funds from other funds | \$ 119,269 |

All balances resulted from the time lag between the dates that (1) reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

A summary of interfund transfers for 2005 were as follows:

|                                   |            |
|-----------------------------------|------------|
| Transfers from general fund to:   |            |
| Job and family services           | \$ 255,148 |
| Nonmajor governmental funds       | 670,774    |
| Total transfers from general fund | \$ 925,922 |

**Gallia County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2005*

**NOTE 5 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS** *(Continued)*

During 2005, the County made five transfers totaling \$496,000 from the general fund to the emergency medical services fund to subsidize the program services. The general fund also transferred \$255,148, \$50,000, \$15,000, \$30,000, and \$115 to job and family services, dog and kennel, child support enforcement, emergency management, and DRETAC funds respectively. Finally, the general fund transferred \$79,659 to the bond retirement debt service fund for the repayment of bonds.

**NOTE 6 - RECEIVABLES**

Receivables at December 31, 2005 consisted of property taxes, sales taxes, accounts (billings for user charged services), interest and intergovernmental grants. All receivables are considered fully collectible.

A summary of the principal items of intergovernmental receivable follows:

| Governmental Activities              |              |
|--------------------------------------|--------------|
| General Fund:                        |              |
| Local government distributions       | \$ 297,520   |
| State property tax reimbursements    | 68,047       |
|                                      | 365,567      |
| Total general fund                   |              |
|                                      | 365,567      |
| Major Special Revenue Funds:         |              |
| Motor vehicle and gas tax            | 1,868,626    |
| Job and family services              | 2,158,157    |
| Board of mental retardation          | 87,379       |
| Community development block grant    | 756,810      |
|                                      | 4,870,972    |
| Total major special revenue funds    |              |
|                                      | 4,870,972    |
| Major Capital Project Fund:          |              |
| Early Childhood Grant                | 1,375,000    |
| Nonmajor Special Revenue Funds:      |              |
| Community MR/DD                      | 20,892       |
| State Dom. Prep. Grant               | 17,436       |
| Homeland Security                    | 44,162       |
| Wrap Management                      | 49,905       |
| State Victim's Grant                 | 45,821       |
|                                      | 178,216      |
| Total Nonmajor Special Revenue Funds |              |
|                                      | 178,216      |
| Total intergovernmental receivable   |              |
|                                      | \$ 6,789,755 |
| Fiduciary Funds                      |              |
| Agency Funds                         | \$ 1,853,857 |

**Gallia County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2005*

**NOTE 7 - CAPITAL ASSETS**

A summary of changes in general capital assets during 2005 were as follows:

|   | Restated<br>Beginning<br>Balance | Increases         | Decreases         | Ending<br>Balance   |
|---|----------------------------------|-------------------|-------------------|---------------------|
|   | <u>          </u>                | <u>          </u> | <u>          </u> | <u>          </u>   |
| Governmental activities:                    |                                  |                   |                   |                     |
| Nondepreciable capital assets:              |                                  |                   |                   |                     |
| Land  | \$ 488,565                       | \$ -              | \$ -              | \$ 488,565          |
| Depreciable capital assets:                 |                                  |                   |                   |                     |
| Land improvements                           | 270,541                          | 2,725             | -                 | 273,266             |
| Buildings and improvements                  | 5,679,244                        | 20,081            | -                 | 5,699,325           |
| Furniture, fixtures and equipment           | 6,009,319                        | 580,086           | (28,054)          | 6,561,351           |
| Vehicles                                    | 1,519,389                        | 43,565            | (10,000)          | 1,552,954           |
| Infrastructure                              | <u>2,700,152</u>                 | <u>292,174</u>    | <u>-</u>          | <u>2,992,326</u>    |
| Total depreciable capital assets            | <u>16,178,645</u>                | <u>938,631</u>    | <u>(38,054)</u>   | <u>17,079,222</u>   |
| Accumulated Depreciation:                   |                                  |                   |                   |                     |
| Land improvements                           | (232,045)                        | (7,477)           | -                 | (239,522)           |
| Buildings and improvements                  | (3,706,649)                      | (102,895)         | -                 | (3,809,544)         |
| Furniture, fixtures and equipment           | (3,310,011)                      | (468,472)         | 24,990            | (3,753,493)         |
| Vehicles                                    | (512,528)                        | (171,975)         | 10,000            | (674,503)           |
| Infrastructure                              | <u>(365,858)</u>                 | <u>(121,953)</u>  | <u>-</u>          | <u>(487,811)</u>    |
| Total accumulated depreciation              | <u>(8,127,091)</u>               | <u>(872,772)</u>  | <u>34,990</u>     | <u>(8,964,873)</u>  |
|   |                                  | -                 |                   |                     |
| Depreciable capital assets, net             | <u>8,051,554</u>                 | <u>65,859</u>     | <u>(3,064)</u>    | <u>8,114,349</u>    |
| Governmental activities capital assets, net | <u>\$ 8,540,119</u>              | <u>\$ 65,859</u>  | <u>\$ (3,064)</u> | <u>\$ 8,602,914</u> |

\* Restatements to the beginning balances are for asset class reclassifications. These restatements did not have an impact on the financial statements.

For governmental activities, depreciation expense was charged to functions as follows:

| <u>Governmental Activities</u>                     |                   |
|--|-------------------|
| General government:                                |                   |
| Legislative and executive                          | \$ 138,912        |
| Public safety                                      | 91,532            |
| Public works                                       | 426,861           |
| Health   | 94,784            |
| Human services                                     | 32,004            |
| Conservation and recreation                        | 36,546            |
| Community and economic development                 | <u>52,133</u>     |
| Total governmental activities depreciation expense | <u>\$ 872,772</u> |

**Gallia County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2005*

**NOTE 7 - CAPITAL ASSETS** (Continued)

A summary of changes in business-type capital assets during 2005 were as follows: (\*=restated)

|  | <u>Balance *</u>    | <u>Increases</u>    | <u>Decreases</u> | <u>Balance</u>      |
|--|---------------------|---------------------|------------------|---------------------|
| Business-type activities:                    |                     |                     |                  |                     |
| Construction in Progress                     | \$ 57,242           | \$ 2,792            | \$ -             | \$ 60,034           |
| Non-Depreciable Capital Assets               | 57,242              | 2,792               | -                | 60,034              |
| Depreciable capital assets:                  |                     |                     |                  |                     |
| Building and improvements                    | 6,031,138           | -                   | -                | 6,031,138           |
| Furniture, fixtures and equipment            | 105,122             | -                   | -                | 105,122             |
| Total depreciable capital assets:            | 6,136,260           | -                   | -                | 6,136,260           |
| Accumulated depreciation:                    |                     |                     |                  |                     |
| Building and improvements                    | (1,216,420)         | (150,933)           | -                | (1,367,353)         |
| Furniture, fixtures and equipment            | (86,522)            | (3,949)             | -                | (90,471)            |
| Total accumulated depreciation               | (1,302,942)         | (154,882)           | -                | (1,457,824)         |
| Depreciable capital assets, net              | 4,833,318           | (154,882)           | -                | 4,678,436           |
| Business-type activities capital assets, net | <u>\$ 4,890,560</u> | <u>\$ (152,090)</u> | <u>\$ -</u>      | <u>\$ 4,738,470</u> |

The business-type activities of the County are the sewer operations at various subdivisions throughout the County.

**NOTE 8 - CAPITALIZED LEASES - LESSEE DISCLOSURE**

The County has entered into agreements to lease equipment and other assets. Such agreements are, in substance, lease purchases and are reflected as capital lease obligations in the basic financial statements. Capital lease payments are reflected as debt service in the basic financial statements for the governmental funds. New leases are, in substance, capital purchases and are reflected as current expenditures and proceeds from capital leases in the fund financial statements. The capital lease obligations reflected below as part of the long-term obligations represent the present value of the net future minimum lease payments on all capital leases. The equipment acquired has been capitalized in the Governmental Activities in the amount of \$50,679.

The following is a schedule of the future minimum lease payments under lease obligations which have been capitalized as of December 31, 2005.

| <u>Year Ended</u>                       | <u>Capital Lease Obligations</u> |
|---|----------------------------------|
| 2006                                    | \$ 9,820                         |
| 2007                                    | 3,428                            |
| 2008                                    | 857                              |
| Total minimum lease payments            | 14,105                           |
| Less: amount representing interest      | (1,081)                          |
| Present value of minimum lease payments | <u>\$ 13,024</u>                 |

**Gallia County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2005*

**NOTE 9 - LONG-TERM OBLIGATIONS**

The County's governmental long-term obligations activity for the year ended December 31, 2005, was as follows:

| <u>Purpose</u>   | <u>Beginning<br/>Balance</u> | <u>Additions</u>    | <u>Reductions</u>     | <u>Ending<br/>Balance</u> | <u>Due Within<br/>One Year</u> |
|--|------------------------------|---------------------|-----------------------|---------------------------|--------------------------------|
| Governmental activities:                               |                              |                     |                       |                           |                                |
| General obligation bonds payable                       |                              |                     |                       |                           |                                |
| Solid waste recycling<br>1998-2012, 4.95%              | \$ 210,000                   | \$ -                | \$ (20,000)           | \$ 190,000                | \$ 25,000                      |
| EMS ambulances<br>2004-2008, 2.95%                     | 104,000                      | -                   | (26,000)              | 78,000                    | 26,000                         |
| County building<br>2003-2010, 2.90%                    | 330,000                      | -                   | (55,000)              | 275,000                   | 55,000                         |
| Parking lot expansion<br>2003-2010, 3.12%              | <u>58,500</u>                | <u>-</u>            | <u>(6,500)</u>        | <u>52,000</u>             | <u>6,500</u>                   |
| Subtotal general obligation bonds                      | 702,500                      | -                   | (107,500)             | 595,000                   | 112,500                        |
| Compensated absences                                   | 1,601,673                    | 1,397,598           | (1,601,673)           | 1,397,598                 | 996,020                        |
| Capital leases   | <u>63,699</u>                | <u>-</u>            | <u>(50,675)</u>       | <u>13,024</u>             | <u>9,078</u>                   |
| Total governmental activities<br>long-term obligations | <u>\$ 2,367,872</u>          | <u>\$ 1,397,598</u> | <u>\$ (1,759,848)</u> | <u>\$ 2,005,622</u>       | <u>\$ 1,117,598</u>            |

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 receipts.

The County's general obligation bond issue for \$130,000 was issued for purpose of purchasing new ambulances for the emergency medical service. The debt will be retired by the property taxes levied by the County.

The County's general obligation bond issue for \$390,000 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 the property taxes levied by the County.

The County's general obligation bond issue for \$65,000 was issued for the purpose of expanding the parking lot at the Courthouse. The debt will be retired by the property taxes levied by the County.

**Gallia County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2005*

**NOTE 9 - LONG-TERM OBLIGATIONS** (Continued)

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

Governmental Activities General Obligation Bonds

| <u>Year Ended</u> | <u>Principal</u>  | <u>Interest</u>  | <u>Total</u>      |
|-------------------|-------------------|------------------|-------------------|
| 2006              | \$ 112,500        | \$ 26,941        | \$ 139,441        |
| 2007              | 112,500           | 22,013           | 134,513           |
| 2008              | 112,500           | 17,088           | 129,588           |
| 2009              | 86,500            | 12,158           | 98,658            |
| 2010              | 91,500            | 7,995            | 99,495            |
| 2011-2013         | <u>79,500</u>     | <u>5,690</u>     | <u>85,190</u>     |
| Total             | <u>\$ 595,000</u> | <u>\$ 91,885</u> | <u>\$ 686,885</u> |

The County's business-type long-term obligations activity for the year ended December 31, 2005, was as follows:

| <u>Purpose</u>  | <u>Beginning<br/>Balance</u> | <u>Additions</u> | <u>Reductions</u>  | <u>Ending<br/>Balance</u> | <u>Due Within<br/>One Year</u> |
|---|------------------------------|------------------|--------------------|---------------------------|--------------------------------|
| Business-type activities:                               |                              |                  |                    |                           |                                |
| Long-term loans payable:                                |                              |                  |                    |                           |                                |
| OPWC loan payable                                       |                              |                  |                    |                           |                                |
| 2002-2022 0.00%   | \$ 201,250                   | \$ -             | \$ (11,500)        | \$ 189,750                | \$ 5,750                       |
| OWDA loan, 2001, 5.65%                                  | 57,242                       | 2,792            | 0                  | 60,034                    | 60,034                         |
| Revenue bonds:  |                              |                  |                    |                           |                                |
| Sewer improvement                                       |                              |                  |                    |                           |                                |
| 2001-2040, 4.50%  | 203,500                      | -                | (2,400)            | 201,100                   | 2,400                          |
| Sewer improvement                                       |                              |                  |                    |                           |                                |
| 2001-2040 4.50%   | 1,663,900                    | -                | (19,300)           | 1,644,600                 | 20,200                         |
| Compensated absences                                    | <u>14,510</u>                | <u>5,252</u>     | <u>(11,348)</u>    | <u>8,414</u>              | <u>3,954</u>                   |
| Total business-type activities<br>long-term obligations | <u>\$ 2,140,402</u>          | <u>\$ 8,044</u>  | <u>\$ (44,548)</u> | <u>\$ 2,103,898</u>       | <u>\$ 92,338</u>               |

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

The Sewer Improvement bonds are for utility improvement projects. These bonds will be repaid from the Bidwell/Porter sewer fund with the revenue from sewer operations.



**Gallia County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2005*

**NOTE 9 - LONG-TERM OBLIGATIONS** (Continued)

The 2001 OWDA Loan which was previously shown as a governmental activities long-term obligation was for wastewater system design relating to a new sewer project in the County. The original loan amount was \$450,000 however as of December 31, 2005 no additional principal amounts will be drawn on the loan. The December 31, 2005 balance represents disbursements of \$47,870 plus the OWDA fee of \$1,570 plus capitalized interest of \$10,594. The project was placed on hold due to litigation over a previous sewer project with the engineering firm. The project was resumed with a new engineering firm. In February 2006, the County entered into an agreement with the Ohio Water Development Authority for a planning loan in the amount of \$400,000 which included the payment of the 2001 OWDA Loan. The 2001 OWDA Loan was paid off by the 2006 Planning Loan in March 2006. The planning loan will then be rolled over into a construction loan for payment. The loan will be repaid from pledged revenues charged for the services of the system.

The annual requirements to amortize long-term loan and bond obligations outstanding as of December 31, 2005 are as follows:

| Year Ended | <u>Sewer Improvement</u> |                     |                     | <u>OPWC Loan</u>  |
|------------|--------------------------|---------------------|---------------------|-------------------|
|            | Principal                | Interest            | Total               | Principal         |
| 2006       | \$ 22,600                | \$ 83,057           | \$ 105,657          | \$ 5,750          |
| 2007       | 23,700                   | 82,039              | 105,739             | 11,500            |
| 2008       | 24,700                   | 80,973              | 105,673             | 11,500            |
| 2009       | 25,800                   | 79,861              | 105,661             | 11,500            |
| 2010       | 27,100                   | 78,700              | 105,800             | 11,500            |
| 2011-2015  | 154,400                  | 374,135             | 528,535             | 57,500            |
| 2016-2020  | 192,400                  | 336,118             | 528,518             | 57,500            |
| 2021-2025  | 239,800                  | 288,752             | 528,552             | 23,000            |
| 2026-2030  | 298,700                  | 229,720             | 528,420             | -                 |
| 2031-2035  | 372,400                  | 156,155             | 528,555             | -                 |
| 2036-2040  | 464,100                  | 64,486              | 528,586             | -                 |
| 2040       | -                        | -                   | -                   | -                 |
| Total      | <u>\$ 1,845,700</u>      | <u>\$ 1,853,996</u> | <u>\$ 3,699,696</u> | <u>\$ 189,750</u> |

On September 19, 2002, the Board of County Commissioners approved a resolution for the guaranty of the Gallia County Community Improvement Corporation's Rural Industrial Park Loan in the original amount of \$700,000 from the Ohio Department of Development. At December 31, 2005 the balance of the loan was \$600,000.

At December 31, 2005, the County's overall legal debt margin was \$11,809,805 with an unvoted debt margin of \$5,561,922.

**NOTE 10 – CONDUIT DEBT OBLIGATIONS**

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, 2005, there were \$43,322,824 in industrial revenue bonds issued of which \$26,300,009 remains outstanding.

**Gallia County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2005*

---

**NOTE 11 - 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. The last revaluation was completed during 2005. Real property taxes are payable annually or semiannually. The first payment is due March 21, with the remainder payable by August 29.

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 October 15. 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 October 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 proceeding 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 that were measurable and unpaid as of December 31, 2005. 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 2005 operations. The receivable is therefore offset by a credit to deferred revenue.

The full tax rate for all County operations for the year ended December 31, 2005, was \$6.50 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2005 property tax receipts were based are as follows:

| <u>Category</u>         | <u>Assessed Value</u> |
|-------------------------|-----------------------|
| Real estate:            |                       |
| Agriculture             | \$ 64,884,570         |
| Residential             | 191,499,150           |
| Commercial              | 99,807,890            |
| Industrial              | 4,107,210             |
| Minerals                | 449,550               |
| Total real estate       | <u>360,748,370</u>    |
| Personal property:      |                       |
| General                 | 46,873,588            |
| Public utilities        | 148,570,260           |
| Total personal property | <u>195,443,848</u>    |
| Total assessed values   | <u>\$ 556,192,218</u> |

**Gallia County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2005*

**NOTE 12 - 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 additional one 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 2005, the general fund received \$2,965,880 and the 9-1-1 special revenue fund received \$741,433 in sales and use tax revenue. Sales and use tax revenue is recognized when it is measurable and available.

**NOTE 13 - ACCOUNTABILITY AND COMPLIANCE**

**A. Accountability**

The following funds had deficit fund balances as of December 31, 2005:

|                                 |    |        |
|---------------------------------|----|--------|
| Nonmajor special revenue funds: |    |        |
| Real Estate Assessment          | \$ | 36,162 |
| FY05 SHSP grant                 |    | 4,362  |
| FAA airport grant               |    | 1,066  |

The deficits in these funds are the result of the application of accounting principles generally accepted in the United States of America and the requirement to accrue liabilities when incurred. The General Fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. These deficits do not exist on the cash basis.

**B. Compliance**

The following fund had appropriations in excess of estimated resources plus available balances for the fiscal year ended December 31, 2005:

| Fund Type/Fund                    | Original | Final        |
|-----------------------------------|----------|--------------|
| Major special revenue funds:      |          |              |
| Community development block grant | \$ -     | \$ (769,373) |
| Job and family services           | -        | (387,784)    |

The General Fund had expenditures in excess of appropriations plus encumbrances for other expenditures in the amount of \$74,851 and for capital outlay in the amount of \$6,778.

**Gallia County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2005*

---

**NOTE 14 - RISK MANAGEMENT**

The County is exposed to various risks of loss related to torts, theft or damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During 2005, the County contracted with County Risk Sharing Authority (CORSA), a jointly governed organization, for liability, property, and crime insurance. The CORSA program has a \$2,500 deductible.

Coverage provided by the program is as follows:

Property:

|   |               |
|---|---------------|
| Buildings and contents  | \$ 43,421,948 |
| Blanket coverage (\$100,000,000 annual aggregate pool limit for flood and earthquake) |               |

Liability

|                                 |              |
|---------------------------------|--------------|
| General liability               | \$ 1,000,000 |
| Public officials                | 1,000,000    |
| Law enforcement                 | 1,000,000    |
| Excess liability                | 5,000,000    |
| Automobile                      | 1,000,000    |
| Uninsured/underinsured motorist | 250,000      |

Settlement amounts on claims have not exceeded insurance coverage in any of the past three years. There have been no significant reductions in insurance coverage from the prior year.

Workers' compensation benefits are provided through the State Bureau of Workers' Compensation. The County pays all elected officials' bonds by statute. Life insurance is provided through Met Life and vision coverage is provided by Vision Service Plan.

The County also provides medical, prescription drug, and dental health insurance coverage for those employees who choose to participate through a plan with Medical Mutual.

The Plan is a high deductible plan which is self funded to a lower deductible amount to the employees. The premiums are paid by the employees and from each of the respective funds from which the employee is paid.

**NOTE 15 - DEFINED BENEFIT RETIREMENT PLANS**

**A. Ohio Public Employees Retirement System**

The County participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provide retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report which may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6701 or (800)222-7377.

**Gallia County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2005*

---

**NOTE 15 - DEFINED BENEFIT RETIREMENT PLANS** *(continued)*

For the year ended December 31, 2005, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary; members in public safety contributed 9 percent. The employer contribution rate for pension benefits for 2005 was 9.55 percent, except those plan members in law enforcement or public safety. For those classifications, the employer's pension contributions were 12.7 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The County's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2005, 2004, and 2003 were \$1,215,609, \$877,869, and \$1,011,228, respectively; 88.60 percent has been contributed for 2005 and 100 percent for 2004 and 2003. \$138,616, representing the unpaid contribution for 2005, is recorded as a liability within the respective funds.

**B. State Teachers Retirement System**

Certified teachers employed by the school for the Mentally Retarded/Developmentally Disabled participate in the State Teachers Retirement System of Ohio (STRS Ohio), a cost sharing, multiple employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371 or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor.

The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment.

The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who became disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

**Gallia County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2005*

---

**NOTE 15 - DEFINED BENEFIT RETIREMENT PLANS** *(continued)*

For the fiscal year ended December 31, 2005, plan members were required to contribute 10 percent of their annual covered salaries. The County was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The County's required contributions for pension obligations to the DB plan for the fiscal years ended June 30, 2005, 2004 and 2003 were \$84,582, \$75,662 and \$76,187; 98.25 percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003. Of the 2005 amount, \$1,482 representing the unpaid contribution for 2005 is recorded as a liability within the respective funds.

**NOTE 16 - POSTEMPLOYMENT BENEFITS**

**A. Ohio Public Employees Retirement System**

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 local government employer contribution rate was 13.55 percent of covered payroll (16.7 percent for public safety and law enforcement); 4 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between 0.50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 1 to 6 percent annually for the next eight years and 4 percent annually after eight years.

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

The number of active contributing participants in the traditional and combined plans was 376,109. Actual County contributions for 2005 which were used to fund postemployment benefits were \$493,826. The actual contribution and the actuarially required contribution amounts are the same. The actuarial value of OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) was \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively.

**Gallia County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2005*

---

**NOTE 16 - POSTEMPLOYMENT BENEFITS** *(continued)*

On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs. Member and employer contribution rates increased as of January 1, 2006, which will allow additional funds to be allocated to the health care plan.

**B. State Teachers Retirement System of Ohio**

The County provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employers and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

STRS retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2005, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the County this amount equaled \$6,506 for the fiscal year 2005.

STRS pays health care benefits from the Health Care Stabilization Fund. At June 30, 2004 (the latest information available) the balance in the Fund was \$3.1 billion. For the fiscal year ended June 30, 2004, net health care costs paid by STRS were \$268,739,000 and STRS had 111,853 eligible benefit recipients.

**NOTE 17 - ADDITIONAL DISCLOSURES FOR DISCRETELY PRESENTED COMPONENT UNITS**

**A. Measurement Focus and Basis of Accounting**

Gallco Industries, Inc. uses fund accounting to report on their operations and uses the full accrual basis of accounting as set forth in SFAS No. 117 for non-profit corporations. Gallia-Meigs Regional Airport uses fund accounting to report on their operations and uses the cash basis of accounting that is then converted to accrual accounting at year end.

**B. Budgetary Basis of Accounting**

Budgetary information for the discretely presented component units is not presented because they are not included in the entity for which the "appropriated budget" is adopted and do not maintain separate budgetary financial records.

**C. Capital Assets**

Property and equipment for the component units are stated at historical cost and are updated for the costs of additions and retirements during the year. Donated capital assets have been recorded at the fair market value at the date of the gift.

**Gallia County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2005*

**NOTE 17 - ADDITIONAL DISCLOSURES FOR DISCRETELY PRESENTED COMPONENT UNITS**  
*(continued)*

The assets for Gallco Industries, Inc. are depreciated on a straight line basis using the following estimated useful lives:

| Category                          | Estimated Life |
|-----------------------------------|----------------|
| Furniture, fixtures and equipment | 5-10 years     |

A summary of changes in capital assets during 2005 for Gallco Industries, Inc. were as follows:

|                                   | Beginning<br>Balance | Increases        | Decreases         | Ending<br>Balance |
|-----------------------------------|----------------------|------------------|-------------------|-------------------|
| Depreciable capital assets:       |                      |                  |                   |                   |
| Furniture, fixtures and equipment | \$ 56,709            | \$ 16,500        | \$ (21,782)       | \$ 51,427         |
| Accumulated depreciation:         |                      |                  |                   |                   |
| Furniture, fixtures and equipment | (35,197)             | (3,054)          | 17,406            | (20,845)          |
| Capital assets, net               | <u>\$ 21,512</u>     | <u>\$ 13,446</u> | <u>\$ (4,376)</u> | <u>\$ 30,582</u>  |

The assets for Gallia-Meigs Regional Airport are depreciated on a straight line basis using the following estimated useful lives:

| Category                          | Estimated Life |
|-----------------------------------|----------------|
| Buildings and improvements        | 40 years       |
| Furniture, fixtures and equipment | 10-20 years    |

A summary of changes in capital assets during 2005 for Gallia-Meigs Regional Airport were as follows:

|                                   | Beginning<br>Balance | Increases         | Decreases   | Ending<br>Balance |
|-----------------------------------|----------------------|-------------------|-------------|-------------------|
| Depreciable capital assets:       |                      |                   |             |                   |
| Buildings and improvements        | \$ 489,790           | \$ 180,414        | \$ -        | \$ 670,204        |
| Furniture, fixtures and equipment | 4,905                | -                 | -           | 4,905             |
| Total accumulated depreciation    | <u>494,695</u>       | <u>180,414</u>    | <u>-</u>    | <u>675,109</u>    |
| Accumulated depreciation:         |                      |                   |             |                   |
| Buildings and improvements        | (267,806)            | (15,397)          | -           | (283,203)         |
| Furniture, fixtures and equipment | (4,905)              | -                 | -           | (4,905)           |
| Total accumulated depreciation    | <u>(272,711)</u>     | <u>(15,397)</u>   | <u>-</u>    | <u>(288,108)</u>  |
| Capital assets, net               | <u>\$ 221,984</u>    | <u>\$ 165,017</u> | <u>\$ -</u> | <u>\$387,001</u>  |



**Gallia County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2005*

---

**NOTE 18 - 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 Alcohol and Drug Addiction Services and four by the Ohio 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 of the County's continued participation, no debt exists, and the County does not have an equity interest in the Board. During 2005, the County made no contributions to the Board.

**C. Gallia-Jackson-Meigs Counties Cluster**

Gallia, Jackson and Meigs Counties Cluster provide services to multi-need youth in Gallia, Jackson and Meigs counties. Members of the Cluster include 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, TASC (Treatment Alternative to Crime) of Southeast Ohio, Health Recovery Services-Bassett House, Bureau of Vocational Rehabilitation and the Family Addiction Community Treatment Services. The operation of the Cluster is controlled by an advisory committee which consists of 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 Basic Financial Statements*  
*For the Year Ended December 31, 2005*

---

**NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS** *(continued)*

**D. Area Agency on Aging District 7, Inc.**

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 they must be 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.

**E. Ohio Valley Resource Conservation and Development Area, Inc.**

The Ohio Valley Resource Conservation and Development Area, Inc. is a jointly governed organization that is operated as a non-profit corporation. The Ohio Valley Resource Conservation and Development Area, Inc. were created to aid regional planning to participating counties. Scioto County, along with Ross, Vinton, Highland, Brown, Adams, Pike, Jackson, Gallia and Lawrence Counties each appoint three members to the thirty member Council. The Council selects an administrator to oversee operations.

**F. Southeastern Ohio Corrections Commission**

The Southeastern Ohio Corrections Commission 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 2005, 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 Program Grant and the HOME Grant which are administered and implemented by 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 contracts for expenses that relate to the grants and then the County Commissioners issue the payments. 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 Basic Financial Statements*  
*For the Year Ended December 31, 2005*

---

**NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS** *(continued)*

**H. Gallia-Jackson Child Abuse and Neglect Advisory Board**

The Child Abuse and Neglect Advisory Board are 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.

**I. Ohio Valley Regional Development Commission**

The Ohio Valley Regional Development Commission is a jointly governed organization that serves a twelve county economic development planning district in southern Ohio. The commission was formed to influence favorably the future economic, physical and social development of Adams, Brown, Clermont, Fayette, Gallia, Highland, Jackson, Lawrence, Pike, Ross, Scioto, and Vinton Counties. Membership is comprised of elected and appointed county, municipal and township officials or their officially appointed designees, as well as members of the private sector, community action agencies and regional planning commissions. The commission is not dependent upon Gallia County for its existence.

**J. Southern Ohio Council of Governments**

The County is a member of the Southern Ohio Council of Governments (the "Council"), which is a jointly governed organization created under Ohio Revised Code Section 167.01. The governing body consists of a thirteen member board with each participating County represented by its Director of its Board of Mental Retardation and Developmental Disabilities (MRDD). Member counties include: Adams, Athens, Brown, Fayette, Gallia, Highland, Jackson, Lawrence, Pickaway, Pike, Ross, Scioto, and Vinton Counties. The Council acts as fiscal agent for the Gallia County MRDD's supportive living program monies. During 2005, the Council received \$40,142 from Gallia County and as of December 31, 2005, the County had a \$105,361 balance on hand with the Council. These monies are not recorded on the financial statements of the County. Financial statements can be obtained from the Council at 43 N. Paint St., Chillicothe, Ohio 45601.

**NOTE 19 - 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. In addition, the Park District receives 1 percent of the County's share of Undivided Local Government Revenue Assistance and State income taxes. These items totaled \$11,594 in 2005. 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.

**Gallia County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2005*

---

**NOTE 19 - RELATED ORGANIZATIONS** *(continued)*

**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 statutes. 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.

**NOTE 20 - SHARED RISK POOL**

**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. This coverage includes 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 2005 was \$153,778.

**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.

**Gallia County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2005*

---

**NOTE 20 - SHARED RISK POOL** *(continued)*

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 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.

**NOTE 21 - RELATED PARTY TRANSACTION**

During 2005, 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 \$86,277.

**NOTE 22 - 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 lease agreement with Mid-American in June 1991. In 2001 the County signed the current lease agreement with USA Waste Services, Inc. (Waste Management). The lease agreement states that Waste Management is the operator of the landfill and that the County is to receive a portion of the landfill fees. The lease also states that Waste Management will comply with Ohio Environmental Protection Agency (EPA) closure and post closure requirements; therefore, Waste Management is responsible for these costs unless the County does not renew the lease agreement. 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 Waste Management has met the requirement.

**NOTE 23 - 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 of Development, Office of Housing and Community Partnerships. The purpose of this program is to provide loans to low and moderate income families for home improvements. Loans are provided as declining mortgage loans with the intent that they do not have to repay 85% of the loan (85% of the loan released at the end of either a 5 or 10 year period), unless they would sell the residence before the 5 or 10 year period ended. The remaining 15% would remain as a mortgage to the property until such time as the owner either pays it off or sells the property. As of December 31, 2005 the total amount of loans outstanding was \$33,818. Due 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 basic financial statements.

**NOTE 24 - 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 basic financial statements.

**Gallia County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2005*

---

**NOTE 25 – SUBSEQUENT EVENT**

On March 9, 2006, the Gallia County Commissioners signed a loan agreement in the amount of \$126,950.97. The loan was issued for the financing of a Case 721 DXT Wheel Loader and Forks for the Gallia County Engineer's Office. The interest rate of the loan is 3.23% with a final maturity date December 1, 2008.

On May 4, 2006, the Gallia County Commissioners gave approval for RD Zande and Associates Engineering to proceed with design of the Kanauga/Addison Sewer System, an estimated cost of \$225,000.

On July 13, 2006, the Gallia County Commissioners awarded a contract in the amount of \$776,519 to Shelly Company for the Issue II Paving Project.

On July 13, 2006, the Gallia County Commissioners awarded a contract in the amount of \$322,576 to Jess Howard Electric, Inc. for the Gallia-Meigs Airport Authority for the Airfield Lighting Development Project.

On September 7, 2006, the Gallia County Commissioners approved awarding the financial bid for the Early Childhood Development Project to Ohio Valley Bank for a total of \$1,480,000 for 30 years at a fixed rate of 4.45%.

On September 7, 2006, the Gallia County Commissioners awarded the following contracts for the Early Childhood Development Project:

|   |   |             |
|---|---|-------------|
| ▪ | General Trades – Portco, Inc.             | \$1,813,852 |
| ▪ | HVAC – AJ Stockmeister                    | 315,345     |
| ▪ | Fire Protection – Central Fire Protection | 48,370      |
| ▪ | Plumbing – Portco, Inc.                   | 164,365     |
| ▪ | West End Electric                         | 422,000     |

GALLIA COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2005

| FEDERAL GRANTOR/<br>Pass Through Grantor<br>Program Title                    | Pass-Through<br>Entity's<br>Number   | Federal<br>CFDA<br>Number | Disbursements  | Noncash<br>Disbursements |
|--|--|---------------------------|--|--------------------------|
| <b>UNITED STATES DEPARTMENT OF AGRICULTURE</b>                               |  |                           |  |                          |
| <i>Passed Through Ohio Department of Education:</i>                          |  |                           |  |                          |
| Nutrition Cluster:   |  |                           |  |                          |
| Food Donation  | N/A  | 10.550                    | \$   | \$ 3,947                 |
| School Breakfast Program   | 05PU-2005  | 10.553                    | 7,746  |                          |
| National School Lunch Program  | LLP4-2005  | 10.555                    | 11,701   |                          |
| Total Nutrition Cluster  |  |                           | <u>19,447</u>  | <u>3,947</u>             |
| Total United States Department of Agriculture                                |  |                           | 19,447   | 3,947                    |
| <b>UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>             |  |                           |  |                          |
| <i>Passed Through Ohio Department of Development:</i>                        |  |                           |  |                          |
| Community Development Block Grants/State's Program                           | BC-03-025-1<br>BF-03-025-1<br>BX-03-025-1<br>BF-04-025-1<br>BF-05-025-1<br>BL-04-025-1 | 14.228                    | 58,651<br>6,369<br>266,957<br>184,982<br>8,012<br>28,650 |                          |
| Total Community Development Block Grants/State's Program                     |  |                           | <u>553,621</u>   | <u>0</u>                 |
| Home Investment Partnerships Program   | BC-03-025-2  | 14.239                    | <u>175,324</u>   |                          |
| Total United States Department of Housing and Urban Development              |  |                           | 728,945  | 0                        |
| <b>UNITED STATES DEPARTMENT OF JUSTICE</b>                                   |  |                           |  |                          |
| <i>Direct Program:</i>   |  |                           |  |                          |
| Bulletproof Vest Partnership Program   | N/A  | 16.607                    | 1,427  |                          |
| <i>Passed Through Ohio Department of Youth Services:</i>                     |  |                           |  |                          |
| Title V_Delinquency Prevention Program                                       | 2004-JV-T50-5103   | 16.548                    | 33,829   |                          |
| <i>Passed through the State of Ohio Office of Criminal Justice Services:</i> |  |                           |  |                          |
| Edward Byrne Memorial Formula Grant Program                                  | 2002-DG-GOV-9202   | 16.579                    | <u>7,639</u>   |                          |
| Total United States Department of Justice                                    |  |                           | 42,895   | 0                        |
| <b>UNITED STATES DEPARTMENT OF LABOR</b>                                     |  |                           |  |                          |
| <i>Passed Through Workforce Investment Act Area 7:</i>                       |  |                           |  |                          |
| Unemployment Insurance   | N/A  | 17.225                    | 13,905   |                          |
| Workforce Investment Act (WIA) Cluster:                                      |  |                           |  |                          |
| WIA Adult Program (PY 03)  | N/A  | 17.258                    | 5,200  |                          |
| WIA Adult Program (FY 04)  |  |                           | 124,424  |                          |
| WIA Adult Program (PY 04)  |  |                           | 32,713   |                          |
| WIA Adult Program (FY 05)  |  |                           | 101,214  |                          |
| WIA Adult Program (PY 05)  |  |                           | 15,542   |                          |
| WIA Adult Program Administrative   |  |                           | <u>3,953</u>   |                          |
| WIA Adult Program Total  |  |                           | 283,046  | <u>0</u>                 |
| WIA Youth Activities (PY 03)   | N/A  | 17.259                    | 164,905  |                          |
| WIA Youth Activities (PY 04)   |  |                           | 166,396  |                          |
| WIA Youth Activities (PY 05)   |  |                           | 28,986   |                          |
| WIA Youth Activities Administrative  |  |                           | <u>5,156</u>   |                          |
| WIA Youth Activities Total   |  |                           | 365,443  | <u>0</u>                 |
| WIA Dislocated Workers (PY 03)   | N/A  | 17.260                    | 2,040  |                          |
| WIA Dislocated Workers (FY 04)   |  |                           | 23,079   |                          |
| WIA Dislocated Workers (PY 04)   |  |                           | 22,095   |                          |
| WIA Dislocated Workers (FY 05)   |  |                           | 31,634   |                          |
| WIA Dislocated Workers (PY 05)   |  |                           | 4,605  |                          |
| WIA Dislocated Workers (NEG Flooding OH-12)                                  |  |                           | 515,515  |                          |
| WIA Dislocated Workers Administrative  |  |                           | <u>8,077</u>   |                          |
| WIA Dislocated Workers Total   |  |                           | 607,045  | <u>0</u>                 |
| Total Workforce Investment Act (WIA) Cluster:                                |  |                           | <u>1,255,534</u>   | <u>0</u>                 |
| Total United States Department of Labor                                      |  |                           | 1,269,439  | 0                        |
| <b>UNITED STATES DEPARTMENT OF TRANSPORTATION</b>                            |  |                           |  |                          |
| <i>Direct from the Federal Government:</i>                                   |  |                           |  |                          |
| Airport Improvement Program  | 3-39-0101-0102<br>3-39-0101-0304<br>3-39-0101-0405                                     | 20.106                    | 1,931<br>128,525<br>194,997                              |                          |
| Total Airport Improvement Program  |  |                           | <u>325,453</u>   | <u>0</u>                 |
| Total United States Department of Transportation                             |  |                           | 325,453  | 0                        |

**GALLIA COUNTY**  
**SCHEDULE OF FEDERAL AWARDS EXPENDITURES**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**  
(Continued)

| FEDERAL GRANTOR/<br>Pass Through Grantor<br>Program Title   | Pass-Through<br>Entity's<br>Number | Federal<br>CFDA<br>Number | Disbursements | Noncash<br>Disbursements |
|---|------------------------------------|---------------------------|---------------|--------------------------|
| <b>GENERAL SERVICES ADMINISTRATION (GSA) ON BEHALF OF THE<br/>ELECTION ASSISTANCE COMMISSION (EAC)</b>      |                                    |                           |               |                          |
| <i>Passed Through Ohio Secretary of State:</i>  |                                    |                           |               |                          |
| Election Reform Payments  | 04-SOS-HAVA-27                     | 39.011                    | 6,938         |                          |
| Total General Services Administration   |                                    |                           | 6,938         | 0                        |
| <b>UNITED STATES DEPARTMENT OF EDUCATION</b>  |                                    |                           |               |                          |
| <i>Passed Through Ohio Department of Education:</i>   |                                    |                           |               |                          |
| Special Education Cluster:  |                                    |                           |               |                          |
| Special Education_Grants to States  | 6B-SF-2005                         | 84.027                    | 23,517        |                          |
|   | 6B-SF-2006                         |                           | 20,207        |                          |
| Total Special Education_Grants to States  |                                    |                           | 43,724        | 0                        |
| Special Education_Preschool Grants  | PG-S1-2005                         | 84.173                    | 7,866         |                          |
|   | PG-S1-2006                         |                           | 7,310         |                          |
| Total Special Education_Preschool Grants  |                                    |                           | 15,176        | 0                        |
| Total Special Education Cluster   |                                    |                           | 58,900        | 0                        |
| State Grants for Innovative Programs  | C2S1-2005                          | 84.298                    | 17            |                          |
|   | C2S1-2006                          |                           | 174           |                          |
| Total State Grants for Innovative Programs  |                                    |                           | 191           | 0                        |
| Total United States Department of Education   |                                    |                           | 59,091        | 0                        |
| <b>ELECTION ASSISTANCE COMMISSION</b>   |                                    |                           |               |                          |
| <i>Passed Through Ohio Secretary of State:</i>  |                                    |                           |               |                          |
| Help America Vote Act Requirements Payments   | E05-0127-27                        | 90.401                    | 325,595       | 0                        |
| Total Election Assistance Commission  |                                    |                           | 325,595       | 0                        |
| <b>UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>  |                                    |                           |               |                          |
| <i>Passed Through Gallia-Jackson-Meigs Board of Alcohol, Drug Addiction and<br/>Mental Health Services:</i> |                                    |                           |               |                          |
| Promoting Safe and Stable Families  | 18-CS-05-01                        | 93.556                    | 3,082         |                          |
| <i>Passed Through Ohio Department of Mental<br/>Retardation and Developmental Disabilities:</i>             |                                    |                           |               |                          |
| Social Services Block Grant (Title XX)  | N/A                                | 93.667                    | 28,313        |                          |
| State Children's Insurance Program (SCHIP) Title XXI:   | N/A                                | 93.767                    |               |                          |
| Community Alternative Funding System (CAFS)   |                                    |                           | 105           |                          |
| Targeted Case Management (TCM)  |                                    |                           | 476           |                          |
| Total State Children's Insurance Program (SCHIP) Title XXI  |                                    |                           | 581           | 0                        |
| Medical Assistance Program (Title XIX):   | N/A                                | 93.778                    |               |                          |
| Community Alternative Funding System (CAFS)   |                                    |                           | 187,734       |                          |
| Targeted Case Management (TCM)  |                                    |                           | 47,721        |                          |
| Community Alternative Funding System (CAFS) - 2000 Final Settlement Amount                                  |                                    |                           | 40,657        |                          |
| Targeted Case Management (TCM) - 2000 Final Settlement Amount   |                                    |                           | 20,844        |                          |
| Total Medical Assistance Program (Title XIX)  |                                    |                           | 296,956       | 0                        |
| Total United States Department of Health and Human Services   |                                    |                           | 328,932       | 0                        |



**GALLIA COUNTY**  
**SCHEDULE OF FEDERAL AWARDS EXPENDITURES**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**  
**(Continued)**

| <b>FEDERAL GRANTOR/<br/>Pass Through Grantor<br/>Program Title</b>      | Pass-Through<br>Entity's<br>Number | Federal<br>CFDA<br>Number | Disbursements              | Noncash<br>Disbursements |
|---|------------------------------------|---------------------------|----------------------------|--------------------------|
| <b>UNITED STATES DEPARTMENT OF HOMELAND SECURITY</b>                    |                                    |                           |                            |                          |
| <i>Passed Through Wood County Ohio Emergency Management Agency:</i>     |                                    |                           |                            |                          |
| State Domestic Preparedness Equipment Support Program                   | 2004-GE-T4-0025                    | 97.004                    | 20,081                     |                          |
| <i>Passed Through Ohio Attorney General's Office:</i>                   |                                    |                           |                            |                          |
| State Domestic Preparedness Equipment Support Program                   | L134                               |                           | 500                        |                          |
| <i>Passed Through Ohio Emergency Management Agency:</i>                 |                                    |                           |                            |                          |
| State Domestic Preparedness Equipment Support Program                   | 2003-MUP-30015                     |                           | 104,781                    |                          |
|   | 2004-GE-T4-0025                    |                           | <u>22,332</u>              |                          |
| Total State Domestic Preparedness Equipment Support Program             |                                    |                           | <u>147,694</u>             | <u>0</u>                 |
| Disaster Grants - Public Assistance (Presidentially Declared Disasters) | 1556-DR-053-U616O                  | 97.036                    | 268,636                    |                          |
| Hazard Mitigation Grant   | DR-1453.09P-OH                     | 97.039                    | 20,257                     |                          |
| Homeland Security Cluster:  |                                    |                           |                            |                          |
| Emergency Management Performance Grants                                 | 2005-EM-T5-0001                    | 97.042                    | 18,175                     |                          |
| State Homeland Security Program   | 2005-GE-T5-0001                    | 97.073                    | 76,874                     |                          |
| Total Homeland Security Cluster   |                                    | 97.067                    | <u>95,049</u>              | <u>0</u>                 |
| Emergency Management Performance Grants                                 | 2006-EME60042                      | 97.042                    | 2,396                      |                          |
| Citizens Corps  |                                    |                           |                            |                          |
|   | 2004-GC-T4-0025                    | 97.053                    | 7,553                      |                          |
|   | EMC-2003-GR-7066                   |                           | <u>5,125</u>               |                          |
| Total Citizens Corps  |                                    |                           | <u>12,678</u>              | <u>0</u>                 |
| Total United States Department of Homeland Security                     |                                    |                           | <u>546,710</u>             | <u>0</u>                 |
| <b>TOTAL FEDERAL AWARDS EXPENDITURES</b>                                |                                    |                           | <b><u>\$ 3,653,445</u></b> | <b><u>\$ 3,947</u></b>   |

The Notes to the Schedule of Federal Awards Expenditures is an integral part of this Schedule.

## GALLIA COUNTY

### NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES FOR THE YEAR ENDED DECEMBER 31, 2005

#### NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the County's federal award programs. The Schedule has been prepared on the cash basis of accounting except expenditures of Workforce Investment Act funds passed through the Workforce Investment Act Area 7 represent amounts disbursed and accrued as of December 31, 2005.

#### NOTE 2 – 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 the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.

#### NOTE 3 – COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) REVOLVING LOAN PROGRAMS

The County has established a revolving loan program to provide low-interest loans to businesses to create jobs for persons from low-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. The initial loan of this money is recorded as a disbursement on the accompanying Schedule of Federal Awards Expenditures (the Schedule). 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 on the property. At December 31, 2005, the gross amount of loans outstanding under this program was \$70,432.

In addition, the County has Declining Mortgage Loans outstanding in the amount of \$33,818. These loans are not reported on the Schedule and are also not reported on the Basic Financial Statements. See Note 23 to the Basic Financial Statements.

#### NOTE 4 – CHILD NUTRITION CLUSTER

Program regulations do not require the County to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at fair market value of the commodities received.

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

#### NOTE 5 – SUBRECIPIENTS

The County passes-through certain Federal assistance received from the Workforce Investment Act Area 7 to other governments or not-for-profit agencies (subrecipients). As described in Note 1 above, the County records expenditures of Federal awards to subrecipients as the amounts disbursed and accrued as of December 31, 2005.

The subrecipient agencies have certain compliance responsibilities related to administering these Federal Programs. Under Federal Circular A-133, the County is 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.



## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Gallia County  
18 Locust Street  
Gallipolis, Ohio 45631

To the Board of County Commissioners:

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Gallia County, Ohio (the County), as of and for the year ended December 31, 2005, which collectively comprise the County's basic financial statements and have issued our report thereon dated November 16, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

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

In planning and performing our audit, we considered the County's internal control over financial reporting to determine our auditing procedures to express our opinions on the basic financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the County's management dated November 16, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

#### **Compliance and Other Matters**

As part of reasonably assuring whether the County's basic financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters that we must report under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2005-001. In a separate letter to the County's management dated November 16, 2006, we reported other matters related to noncompliance we deemed immaterial.

743 E. State St. / Athens Mall Suite B / Athens, OH 45701  
Telephone: (740) 594-3300 (800) 441-1389 Fax: (740) 594-2110  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

We intend this report solely for the information and use of the audit committee, management, the Board of County Commissioners, federal awarding agencies, and pass-through entities. It is not intended for 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

November 16, 2006



## **Auditor of State Betty Montgomery**

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

GalliaCounty  
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 apply to each of its major federal programs for the year ended December 31, 2005. The Summary of Auditor's Results section of the accompanying Schedule of Findings identifies the County's major federal programs. The County's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. 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 reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe 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 apply to each of its major federal programs for the year ended December 31, 2005. In a separate letter to the County's management dated November 16, 2006, we reported an other matter related to federal noncompliance not requiring inclusion in this report.

#### **Internal Control Over Compliance**

The County's management 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 directly and materially affect a major federal program 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.

743 E. State St. / Athens Mall Suite B / Athens, OH 45701  
Telephone: (740) 594-3300 (800) 441-1389 Fax: (740) 594-2110  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

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 reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when 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 a matter involving the internal control over federal compliance not requiring inclusion in this report, that we reported to the County's management in a separate letter dated November 16, 2006.

We intend this report solely for the information and use of the audit committee, management, the Board of County Commissioners, federal awarding agencies, and pass-through entities. It is not intended for 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

November 16, 2006

**GALLIA COUNTY**  
**SCHEDULE OF FINDINGS**  
**OMB CIRCULAR A -133 § .505**  
**DECEMBER 31, 2005**

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

|                     |   |  |
|---------------------|---|--|
| <b>(d)(1)(i)</b>    | <b>Type of Financial Statement Opinion</b>  | Unqualified  |
| <b>(d)(1)(ii)</b>   | <b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>         | No   |
| <b>(d)(1)(ii)</b>   | <b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b> | No   |
| <b>(d)(1)(iii)</b>  | <b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>                       | Yes  |
| <b>(d)(1)(iv)</b>   | <b>Were there any material internal control weakness conditions reported for major federal programs?</b>              | No   |
| <b>(d)(1)(iv)</b>   | <b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>      | No   |
| <b>(d)(1)(v)</b>    | <b>Type of Major Programs' Compliance Opinion</b>   | Unqualified  |
| <b>(d)(1)(vi)</b>   | <b>Are there any reportable findings under § .510?</b>  | No   |
| <b>(d)(1)(vii)</b>  | <b>Major Programs (list):</b>   | Workforce Investment Act (WIA)<br>Cluster CFDA #'s 17.258, 17.259<br>and 17.260<br><br>Airport Improvement Program<br>CFDA # 20.106<br><br>Help America Vote Act<br>Requirements Payments CFDA #<br>90.401 |
| <b>(d)(1)(viii)</b> | <b>Dollar Threshold: Type A/B Programs</b>  | Type A: > \$ 300,000<br>Type B: all others   |
| <b>(d)(1)(ix)</b>   | <b>Low Risk Auditee?</b>  | No   |

**GALLIA COUNTY**  
**SCHEDULE OF FINDINGS**  
**OMB CIRCULAR A -133 § .505**  
**DECEMBER 31, 2005**  
**(Continued)**

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

**FINDING NUMBER 2005-001**

**Finding for Recovery**

Ohio Rev. Code Section 5101.821 states the department shall use money in the TANF fund for the Ohio Works First Program; the Prevention, Retention and Contingency (PRC) Program; and any other purposes consistent with Title IV-A.

The Gallia County PRC Plan states that the total gross income, both earned and unearned, of all members of the PRC Assistance Group shall be counted except for gross earnings of the minor child. In addition, once the Ohio Department of Human Services (ODHS) 7341 is received, verification which is obtained by phone must contain clear documentation in the PRC Assistance Group record concerning the name and position of the supplier of the information, the date the verification was obtained, the amount of the verified income, and the name of the individual who obtained the verification. More stringent verification is required when PRC benefits and services involve a direct monetary gain by the applicant and opportunities for fraud are prevalent.

The Auditor of State's Health Care and Contract Audit Section tested payments for compliance with contract terms, procurement procedures and supporting documentation. We noted the Gallia County Department of Job and Family Services paid benefits to a PRC applicant that directly benefited a relative and/or were not eligible under the Gallia County PRC plan. PRC monies are Federal dollars that are not reported on the County's Schedule of Federal Expenditures. They are reported and audited as part of the Ohio Department of Job and Family Services. The following was noted as a result of this testing:

PRC benefits are based on several TANF/PRC attributes, including an assistance group's income in relation to the federal poverty rate. The client was approved for PRC benefits (in addition to Aid to Dependent Children (ADC), food stamps and medical at various times) for the purchase and repair of an automobile and for rent. The PRC application listed only the client and her son as household members. However, various county records show the client's mother, who is employed by another County agency, lived at the same residence as the client. Client Registry Information System-Enhanced (CRIS-E) records also indicate the child's father may have been in the assistance group.

In addition, case documentation used to verify the need for PRC assistance included a July 2003 bill of sale from a used car dealership, although dealership records showed that the car had actually been sold to the mother in December 2002. Motor vehicle records confirmed that the automobile supposedly being purchased by the client was owned by her mother at the time of purchase. Following the supposed purchase in July 2003, the automobile title remained in the mother's name. Total PRC dollars paid for purchase and repair of the automobile during the engagement period was \$3,696 as follows:

| Description  | Amount         |
|--|----------------|
| Down payment on car, not titled to the PRC applicant | \$1,500        |
| Car repairs (November 2003 – January 2004)           | 2,196          |
| <b>Total:</b>  | <b>\$3,696</b> |



**GALLIA COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
DECEMBER 31, 2005  
(Continued)**

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

**FINDING NUMBER 2005-001 (Continued)**

**Finding for Recovery – Ohio Rev. Code Section 5101.821 (Continued)**

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money illegally expended is hereby issued against the PRC participant, in the amount of \$3,696 and in favor of the County Public Assistance Fund.

**Official's Response**

Regarding Finding Number 2005-001, please be advised it is the understanding of the Board of Gallia County Commissioners that the Gallia County Department of Job and Family Services was provided with false information by the client in order to obtain benefits. Therefore, the distribution of PRC assistance to this client in this finding for recovery is not the fault of any staff at the Gallia County Department of Job and Family Services.

Also, we will forward this finding for recovery to Jeff Adkins, Gallia County Prosecuting Attorney, for the purpose of collection and instruct the Gallia County Auditor's Office to separately track and document all repayments in this regard.

**3. FINDINGS FOR FEDERAL AWARDS**

None.

**GALLIA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 § .315 (b)  
DECEMBER 31, 2005**

| <b>Finding Number</b> | <b>Finding Summary</b>  | <b>Fully Corrected?</b> | <b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:</b>   |
|-----------------------|---|-------------------------|--|
| 2003-001              | Ohio Rev. Code Section 5705.38 – Finding for recovery in favor of the Gallia County General Fund regarding overpayment of Sheriff's Deputy.                                       | No.                     | No action taken.   |
| 2003-002              | Ohio Rev. Code Section 5705.38 – Finding for recovery in favor of the Gallia County Department of Job and Family Services regarding check issued to non-WIA participant.          | No.                     | The Gallia County Department of Job and Family Services took the individual to small claims court (Case # CVI 050045). A judgment was obtained that includes the finding amount and garnishment.   |
| 2003-003              | Ohio Rev. Code Section 5901.04 – Finding for Recovery in favor of the Gallia County General Fund regarding overpayment of authorized salaries for Veterans Service Board Members. | No.                     | The Gallia County Board of County Commissioners approved a settlement agreement and release which allows for the payment of the meetings for which the finding was issued. The agreement does not address amounts for which individuals were paid for in term increases. |
| 2004-001              | Ohio Rev. Code Section 5705.39 – Appropriations exceeded estimated resources.   | No.                     | There were insignificant problems noted. A management letter comment was issued.   |
| 2004-002              | County's compiled financial report for the year ended December 31, 2004 was not available for audit until March 21, 2006.   | Yes.                    |  |
| 2004-003              | County's audit for fiscal year 2004 was not completed until April 4, 2006 which is 15 months after the end of the audit period.   | Yes.                    |  |
| 2004-004              | Section 134 (d)(4)(G) Workforce Investment Act – activities allowed or unallowed. Individual Training Accounts were not properly maintained.                                      | No.                     | There were insignificant problems noted. A management letter comment was issued.   |



**Mary Taylor, CPA**  
Auditor of State

**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  
FEBRUARY 22, 2007**