



Dave Yost • Auditor of State

**VILLAGE OF THE CITY OF GALLIPOLIS
GALLIA COUNTY
DECEMBER 31, 2017 AND 2016**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Prepared by Management:	
Management's Discussion and Analysis – December 31, 2017	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position – Cash Basis – December 31, 2017	11
Statement of Activities – Cash Basis – For the Year Ended December 31, 2017	12
Fund Financial Statements:	
Statement of Cash Basis Assets and Fund Balances - Governmental Funds – December 31, 2017	13
Statement of Cash Receipts, Disbursements, and Changes in Fund Balances Governmental Funds – For the Year Ended December 31, 2017	14
Statement of Receipts, Disbursements and Changes in Fund Balance - Budget and Actual (Budget Basis) General Fund – For the Year Ended December 31, 2017	15
Statement of Fund Net Position – Cash Basis Proprietary Funds – December 31, 2017	16
Statement of Cash Receipts, Disbursements, and Changes in Fund Net Position Proprietary Funds - For the Year Ended December 31, 2017	17
Statement of Net Position – Cash Basis- Municipal Court Agency Fund – December 31, 2017	18
Notes to the Basic Financial Statements – For the Year Ended December 31, 2017	19
Management's Discussion and Analysis – December 31, 2016	41
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position – Cash Basis – December 31, 2016	51
Statement of Activities – Cash Basis – For the Year Ended December 31, 2016	52
Fund Financial Statements:	
Statement of Cash Basis Assets and Fund Balances - Governmental Funds – December 31, 2016	53
Statement of Cash Receipts, Disbursements, and Changes in Fund Balances Governmental Funds – For the Year Ended December 31, 2016	54

VILLAGE OF THE CITY OF GALLIPOLIS
GALLIA COUNTY
DECEMBER 31, 2017 AND 2016

TABLE OF CONTENTS
(Continued)

TITLE	PAGE
Statement of Receipts, Disbursements and Changes in Fund Balance - Budget and Actual (Budget Basis) General Fund – For the Year Ended December 31, 2016	55
Statement of Fund Net Position – Cash Basis Proprietary Funds – December 31, 2016	56
Statement of Cash Receipts, Disbursements, and Changes in Fund Net Position - Proprietary Funds - For the Year Ended December 31, 2016	57
Statement of Net Position – Cash Basis- Municipal Court Agency Fund – December 31, 2016	58
Notes to the Basic Financial Statements for the Year Ended December 31, 2016.....	59
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	85



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Village of the City of Gallipolis
Gallia County
P.O. Box 339
333 Third Avenue
Gallipolis, Ohio 45631

To the Village Commission:

Report on the Financial Statements

We have audited the accompanying cash-basis financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Village of the City of Gallipolis, Gallia County, Ohio (the Village), as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Village of the City of Gallipolis, Gallia County, Ohio, as of December 31, 2017 and 2016, and the respective changes in cash financial position and the budgetary comparison for the General Fund for the years then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

We draw attention to Note 2 of the financial statements, which describes the accounting basis. The financial statements are prepared on the cash basis of accounting, which differs from generally accepted accounting principles. We did not modify our opinion regarding this matter.

Other Matters

Other Information

We applied no procedures to Management's Discussion & Analysis as listed in the Table of Contents. Accordingly, we express no opinion or any other assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 3, 2018, our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

October 3, 2018

Village of the City of Gallipolis, Ohio

Management's Discussion and Analysis

For the Year Ended December 31, 2017

Unaudited

The discussion and analysis of the Village of the City of Gallipolis' (the Village) financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2017, within the limitations of the Village's cash basis accounting. Readers should also review the basic financial statements and notes to the financial statements to enhance their understanding of the Village's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights are as follows:

- For 2017, total net position increased \$561,703, with governmental activities increasing \$221,254 and business-type activities increasing \$340,449.
- For 2017, the Village had three governmental major funds: the General Fund; the Bond and Note Retirement Debt Service Fund; and the Court Capital Improvement Capital Projects Fund. The fund balance of the General and Court Capital Improvement Funds increased \$153,899 and \$23,168, respectively.
- The Village has two business-type activities: the Water and Sewer Funds. For 2017, the Water Fund's net position increased \$354,922 and the Sewer Fund's decreased \$13,278.

USING THE BASIC FINANCIAL STATEMENTS

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Village's cash basis of accounting.

Report Components

The statement of net position and the statement of activities provide information about the cash activities of the Village as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained in the financial records of the Village as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the basic financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Village has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Village's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

Village of the City of Gallipolis, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2017
Unaudited

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the Village of the City of Gallipolis as a Whole

Statement of Net Position and Statement of Activities

The statement of net position and the statement of activities reflect how the Village did financially during 2017, within the limitations of the cash basis of accounting. The statement of net position presents the cash balances of the governmental and business-type activities of the Village at year end. The statement of activities compares cash disbursements with program receipts for each governmental program and business-type activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or business-type activity draws from the Village's general receipts.

These statements report the Village's cash position and changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Village's financial health. Over time, increases or decreases in the Village's cash position is one indicator of whether the Village's financial health is improving or deteriorating. When evaluating the Village's financial condition, you should also consider other nonfinancial factors as well, such as the Village's property tax base, the condition of the Village's capital assets and infrastructure, the extent of the Village's debt obligations, and the reliance on non-local financial resources for operations.

In the statement of net position and the statement of activities, we divide the Village into two types of activities:

- **Governmental Activities** – Most of the Village's basic services are reported here, including police, fire, streets, and parks. Charges for services, state and federal grants, and income and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.
- **Business-Type Activities** – Water and sewer services have charges based on the amounts of usage. The Village charges fees to recoup the cost of the entire operation of our water and sewer treatment plants, as well as all capital expenses associated with these facilities and equipment.

Village of the City of Gallipolis, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2017
Unaudited

Reporting the Village of the City of Gallipolis' Most Significant Funds

Fund Financial Statements

Fund financial statements provide detailed information about the Village's major funds – not the Village as a whole. The Village establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Village are split into three categories: governmental, proprietary, and fiduciary.

- **Governmental Funds** - Most of the Village's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Village's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Village's programs. The Village's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Village's major governmental funds are the General Fund, the Bond and Note Retirement Debt Service Fund, and the Court Capital Improvement Capital Projects Fund. The programs reported in the governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements. We describe this relationship in reconciliations, if necessary.
- **Proprietary Funds** - When the Village charges customers for the services it provides, these services are generally reported in proprietary funds. When the services are provided to the general public, the activity is reported as an enterprise fund. The Village has two enterprise funds, the Water and Sewer Funds. The Village also has an internal service fund for medical expense reimbursements.
- **Fiduciary Funds** - Fiduciary funds are used to account for resources held for the benefit of parties outside the Village. They are not reflected on the government-wide financial statements because the resources from those funds are not available to support the Village's programs.

Village of the City of Gallipolis, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2017
Unaudited

THE VILLAGE OF THE CITY OF GALLIPOLIS AS A WHOLE

Table 1 provides a summary of the Village's net position for 2017 compared to 2016 on a cash basis:

(Table 1)
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Assets						
Cash and Cash Equivalents	\$1,221,777	\$998,855	\$1,743,174	\$1,401,530	\$2,964,951	\$2,400,385
Cash in Segregated Accounts	1,618	4,481	0	0	1,618	4,481
Internal Balances	(1,812)	(3,007)	1,812	3,007	0	0
<i>Total Assets</i>	<u>\$1,221,583</u>	<u>\$1,000,329</u>	<u>\$1,744,986</u>	<u>\$1,404,537</u>	<u>\$2,966,569</u>	<u>\$2,404,866</u>
Net Position						
Restricted for:						
Street	\$60,847	\$85,978	\$0	\$0	\$60,847	\$85,978
Police	55,753	55,606	0	0	55,753	55,606
Fire	67,643	38,820	0	0	67,643	38,820
Cemeteries	18,881	13,056	0	0	18,881	13,056
Community Environment	11,447	10,899	0	0	11,447	10,899
Recreation	56,781	68,734	0	0	56,781	68,734
Court	483,089	414,788	0	0	483,089	414,788
Unclaimed Monies	9,845	8,058	0	0	9,845	8,058
Perpetual Care - Nonexpendable	27,442	27,442	0	0	27,442	27,442
Other Purposes	6,078	5,086	0	0	6,078	5,086
Unrestricted	<u>423,777</u>	<u>271,862</u>	<u>1,744,986</u>	<u>1,404,537</u>	<u>2,168,763</u>	<u>1,676,399</u>
<i>Total Net Position</i>	<u>\$1,221,583</u>	<u>\$1,000,329</u>	<u>\$1,744,986</u>	<u>\$1,404,537</u>	<u>\$2,966,569</u>	<u>\$2,404,866</u>

As mentioned previously, net position of governmental activities increased \$221,254 and the business-type activities net position increased \$340,449 during 2017. The primary reason contributing to the increase in governmental activities is the decrease in principal retirement expenditures and increase in workers compensation rebates compared to the previous year.

Table 2 reflects the changes in net position on a cash basis in 2017 and 2016 for governmental activities, business-type activities, and total primary government.

Village of the City of Gallipolis, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2017
Unaudited

Charges for Services	\$1,647,241	\$1,635,527	\$3,286,351	\$3,323,869	\$4,933,592	\$4,959,396
Operating Grants, Contributions and Interest	485,475	375,733	0	0	485,475	375,733
Capital Grants and Contributions	382,557	717,367	0	362,203	382,557	1,079,570
Total Program Receipts	2,515,273	2,728,627	3,286,351	3,686,072	5,801,624	6,414,699
General Receipts:						
Property Taxes	371,439	372,774	0	0	371,439	372,774
Income Taxes	1,582,858	1,615,675	0	0	1,582,858	1,615,675
Franchise Fees	64,087	66,013	0	0	64,087	66,013
Grants and Entitlements	69,939	79,578	0	0	69,939	79,578
Investment Earnings	8,051	8,131	0	377	8,051	8,508
Proceeds from Sale of Capital Assets	25,000	17,001	0	0	25,000	17,001
Proceeds from Sale of BAN	46,364	988,233	0	0	46,364	988,233
Donations and Contributions	1,250	2,100	0	0	1,250	2,100
Loan Proceeds	0	0	225,026	4,762,914	225,026	4,762,914
Miscellaneous	105,744	55,206	68,456	32,698	174,200	87,904
Total General Receipts	2,274,732	3,204,711	293,482	4,795,989	2,568,214	8,000,700
Total Receipts	4,790,005	5,933,338	3,579,833	8,482,061	8,369,838	14,415,399
Disbursements						
General Government	1,181,330	1,234,827	0	0	1,181,330	1,234,827
General Government - Court	629,425	680,273	0	0	629,425	680,273
Security of Persons and Property:						
Police	1,087,127	1,183,461	0	0	1,087,127	1,183,461
Fire	191,062	229,774	0	0	191,062	229,774
Public Health Services	107,539	93,474	0	0	107,539	93,474
Community Environment	115,249	86,057	0	0	115,249	86,057
Transportation	350,103	311,836	0	0	350,103	311,836
Leisure Time Activities	357,830	1,123,686	0	0	357,830	1,123,686
Debt Service:						
Principal Retirement	426,465	929,008	0	0	426,465	929,008
Interest and Fiscal Charges	122,621	131,475	0	0	122,621	131,475
Water	0	0	1,399,818	1,518,506	1,399,818	1,518,506
Sewer	0	0	1,839,566	6,877,323	1,839,566	6,877,323
Total Disbursements	4,568,751	6,003,871	3,239,384	8,395,829	7,808,135	14,399,700
<i>Increase (Decrease) before</i>						
<i>Interfund Activity</i>	221,254	(70,533)	340,449	86,232	561,703	15,699
<i>Repayment of Interfund Activity</i>	0	(43,332)	0	0	0	(43,332)
Change in Net Position	221,254	(113,865)	340,449	86,232	561,703	(27,633)
<i>Net Position Beginning of Year</i>	1,000,329	1,114,194	1,404,537	1,318,305	2,404,866	2,432,499
<i>Net Position End of Year</i>	\$1,221,583	\$1,000,329	\$1,744,986	\$1,404,537	\$2,966,569	\$2,404,866

For 2017, amounts reported as Capital Outlay during 2016 and 2017 were allocated to other functions. The 2016 figures have been updated to reflect this allocation.

Village of the City of Gallipolis, Ohio

Management's Discussion and Analysis

For the Year Ended December 31, 2017

Unaudited

Governmental Activities

For 2017, program receipts represent \$2,515,273 or 52.5 percent of total receipts and are primarily composed of charges for services such as code enforcement, cemetery, and recreation fees, court fines, and police and fire contracts, capital grants used for capital improvement projects, and restricted intergovernmental receipts such as motor vehicle license and gas tax money.

General receipts represent \$2,274,732, or 47.5 percent of the Village's total receipts, and of this amount, \$1,954,297, or 85.9 percent are derived from local taxes. The Village's total general revenue receipts decreased \$929,979 from 2016 due mostly to a decrease in proceeds from the sale of bond anticipation notes.

The Village continued to work very hard to increase the income tax base by being proactive with new businesses and continued to strive to provide better service to the taxpayers at the lowest cost possible.

General government and security of persons and property are the major activities of the Village, representing 53.8 percent of the governmental disbursements in 2017, an increase in percentage from the prior year. During 2017, disbursements for these operations amounted to \$1,181,330 and \$1,278,189, respectively. These activities are, for the most part, funded by the municipal income tax. The Village attempted to supplement the income and activities of the police and fire departments through grant funding to enable the departments to widen the scope of their activities. The police and fire departments and their employees continued to work hand-in-hand with the Village to help reduce the costs to the taxpayer.

Court operations, public health services, park operations, community environment, transportation, and debt service account for the remaining 46.2 percent of governmental disbursements in 2017.

Business-Type Activities

The Village's water and sewer operations account for the disbursements for the Village's business-type activities and are funded almost entirely from charges for services. During 2017, program receipts exceeded program disbursements by \$46,967 for all business-type activities due in large part to decreases in capital outlay expenditures from the previous year.

If you look at the Statement of Activities, you will see the first column lists the major services provided by the Village. The next column identifies the costs of providing these services. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Village that must be used to provide a specific service. The net Disbursements (Receipts) column compares the program receipts to the cost of the service. The "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

Village of the City of Gallipolis, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2017
Unaudited

(Table 3)

	Governmental Activities			
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2017	2017	2016	2016
General Government	\$1,181,330	\$543,629	\$1,234,827	\$588,810
General Government - Court	629,425	(214,462)	680,273	(45,968)
Security of Persons and Property:				
Police	1,087,127	1,038,941	1,183,461	1,126,741
Fire	191,062	50,557	229,774	93,216
Public Health Services	107,539	67,047	93,474	56,206
Community Environment	115,249	70,047	86,057	60,025
Transportation	350,103	64,862	311,836	(27,420)
Leisure Time Activities	357,830	(116,229)	1,123,686	363,451
Debt Service:				
Principal Retirement	426,465	426,465	929,008	929,008
Interest and Fiscal Charges	122,621	122,621	131,475	131,475
<i>Total</i>	<u>\$4,568,751</u>	<u>\$2,053,478</u>	<u>\$6,003,871</u>	<u>\$3,275,544</u>

For 2017, amounts reported as Capital Outlay during 2016 and 2017 were allocated to other functions.

The 2016 figures have been updated to reflect this allocation.

The dependence upon property and income tax receipts is apparent as approximately 44.9 percent of governmental activities are supported through these and other general receipts.

THE VILLAGE'S FUNDS

The Village's governmental funds are accounted for using the cash basis of accounting. In 2017, governmental funds had total receipts of \$4,718,641 and disbursements of \$4,567,083.

The General Fund is the primary operating fund of the Village. At the end of 2017, the unassigned fund balance was \$357,390, while total fund balance was \$396,194. As a measure of the General Fund's liquidity, it may be useful to compare both the unassigned fund balance and total fund balance to total fund disbursements. Unassigned fund balance represents 14.3 percent to total General Fund disbursements, while total fund balance represents 15.8 percent of that same amount. The Village's General Fund balance increased \$153,899 during 2017.

At the end of 2017, the Bond and Note Retirement Debt Service Fund had a fund balance of \$0, which is the same as 2016. This is due to all receipts consisting of transfers which are immediately used to make debt payments from the fund.

At the end of 2017, the Court Capital Improvement Capital Projects Fund had a fund balance of \$190,969, an increase of \$23,168 from 2016.

The net position of the Water Enterprise Fund increased \$354,922 in 2017, largely due to decreases in capital outlay disbursements. This decrease in capital outlay is due to capital improvements which occurred in previous years.

The net position of the Sewer Enterprise Fund decreased \$13,278 in 2017, due to a decrease in capital grant receipts for the Wastewater Treatment Plant improvements. In 2016, the Sewer Fund received multiple grants to help fund improvements at the wastewater treatment plant. Due to the funding status of the project, no grant funding was received in 2017.

Village of the City of Gallipolis, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2017
Unaudited

General Fund Budgeting Highlights

The Village's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During 2017, the Village amended the General Fund budget several times. Budget basis receipts were \$2,850,958, \$18,503 above final estimates of \$2,832,455. Final estimated receipts were increased \$104,921 from the original of \$2,727,534. Disbursements of \$2,529,854 were lower than final appropriations of \$2,792,680. Final appropriations were increased \$32,017 from originals.

All recommendations for budget change came from the Village Manager and Village Auditor to the Commission for review and Ordinance enactment on the change. The allocation of appropriations within the departments and objects within a fund, with the exception of employee salaries, may be modified during the year, as requested by the department supervisors and approved by the Village Manager, by the Village Auditor without an ordinance of Commission. With the General Fund supporting many of the major activities such as police and fire departments, as well as most legislative and executive activities, the General Fund was monitored closely, looking for possible revenue shortfalls or overspending by individual departments.

DEBT ADMINISTRATION

The Village had the following debt outstanding at each year end:

(Table 4)

Outstanding Debt at December 31, 2017 and 2016

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Bond Anticipation Notes	\$423,675	\$660,996	\$0	\$0	\$423,675	\$660,996
Loans	0	0	8,326,419	8,495,846	8,326,419	8,495,846
General Obligation Bonds	2,542,540	2,685,320	0	0	2,542,540	2,685,320
Capital Leases	59,891	122,587	28,447	44,515	88,338	167,102
<i>Totals</i>	<u>\$3,026,106</u>	<u>\$3,468,903</u>	<u>\$8,354,866</u>	<u>\$8,540,361</u>	<u>\$11,380,972</u>	<u>\$12,009,264</u>

For additional information on the Village's debt, see Notes 13 and 14 to the basic financial statements.

CURRENT ISSUES

As the preceding information shows, the Village depended heavily on its taxpayers and on grants and entitlements. The Village tightened non-capital related spending to better bring expenses in line with revenues and carefully watched financial planning in order for the Village to remain on firm financial footing.

CONTACTING THE VILLAGE AUDITOR'S DEPARTMENT

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Village's finances and to show the Village's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Annette Landers, Village Auditor, P.O Box 339, Gallipolis, Ohio 45631.

Village of the City of Gallipolis, Ohio
Statement of Net Position - Cash Basis
December 31, 2017

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$1,221,777	\$1,743,174	\$2,964,951
Cash in Segregated Accounts	1,618	0	1,618
Internal Balances	(1,812)	1,812	0
<i>Total Assets</i>	<u>\$1,221,583</u>	<u>\$1,744,986</u>	<u>\$2,966,569</u>
Net Position			
Restricted for:			
Street	\$60,847	\$0	\$60,847
Police	55,753	0	55,753
Fire	67,643	0	67,643
Cemeteries	18,881	0	18,881
Community Environment	11,447	0	11,447
Recreation	56,781	0	56,781
Court	483,089	0	483,089
Unclaimed Monies	9,845	0	9,845
Perpetual Care - Nonexpendable	27,442	0	27,442
Other Purposes	6,078	0	6,078
Unrestricted	<u>423,777</u>	<u>1,744,986</u>	<u>2,168,763</u>
<i>Total Net Position</i>	<u>\$1,221,583</u>	<u>\$1,744,986</u>	<u>\$2,966,569</u>

See accompanying notes to the basic financial statements

Village of the City of Gallipolis, Ohio
Statement of Activities - Cash Basis
For the Year Ended December 31, 2017

	Program Receipts				Net (Disbursements) Receipts and Changes in Net Position		
	Disbursements	Charges for Services	Contributions and Interest	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
General Government	\$1,181,330	\$508,282	\$129,419	\$0	(\$543,629)	\$0	(\$543,629)
General Government - Court	629,425	741,585	102,302	0	214,462	0	214,462
Security of Persons and Property:							
Police	1,087,127	30,431	17,755	0	(1,038,941)	0	(1,038,941)
Fire	191,062	129,146	11,359	0	(50,557)	0	(50,557)
Public Health Services	107,539	40,400	92	0	(67,047)	0	(67,047)
Community Environment	115,249	19,085	26,117	0	(70,047)	0	(70,047)
Transportation	350,103	113,735	145,306	26,200	(64,862)	0	(64,862)
Leisure Time Activities	357,830	64,577	53,125	356,357	116,229	0	116,229
Debt Service:							
Principal Retirement	426,465	0	0	0	(426,465)	0	(426,465)
Interest and Fiscal Charges	122,621	0	0	0	(122,621)	0	(122,621)
<i>Total Governmental Activities</i>	<u>4,568,751</u>	<u>1,647,241</u>	<u>485,475</u>	<u>382,557</u>	<u>(2,053,478)</u>	<u>0</u>	<u>(2,053,478)</u>
Business-Type Activities							
Water	1,399,818	1,741,693	0	0	0	341,875	341,875
Sewer	1,839,566	1,544,658	0	0	0	(294,908)	(294,908)
<i>Total Business-Type Activities</i>	<u>3,239,384</u>	<u>3,286,351</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>46,967</u>	<u>46,967</u>
<i>Total</i>	<u>\$7,808,135</u>	<u>\$4,933,592</u>	<u>\$485,475</u>	<u>\$382,557</u>	<u>(2,053,478)</u>	<u>46,967</u>	<u>(2,006,511)</u>
General Receipts							
Property Taxes Levied for:							
General Purposes					246,224	0	246,224
Fire					125,215	0	125,215
Income Taxes Levied for General Purposes					1,582,858	0	1,582,858
Franchise Fees					64,087	0	64,087
Grants and Entitlements not Restricted to Specific Programs					69,939	0	69,939
Investment Earnings					8,051	0	8,051
Proceeds from Sale of Capital Assets					25,000	0	25,000
Proceeds from Sale of Bond Anticipation Notes					46,364	0	46,364
Donations					1,250	0	1,250
Loan Proceeds					0	225,026	225,026
Miscellaneous					105,744	68,456	174,200
<i>Total General Receipts</i>					<u>2,274,732</u>	<u>293,482</u>	<u>2,568,214</u>
Change in Net Position					221,254	340,449	561,703
<i>Net Position Beginning of Year</i>					<u>1,000,329</u>	<u>1,404,537</u>	<u>2,404,866</u>
<i>Net Position End of Year</i>					<u>\$1,221,583</u>	<u>\$1,744,986</u>	<u>#####</u>

See accompanying notes to the basic financial statements

Village of the City of Gallipolis, Ohio
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2017

	General	Court Capital Improvement	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$386,349	\$190,969	\$634,614	\$1,211,932
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	9,845	0	0	9,845
<i>Total Assets</i>	<u>\$396,194</u>	<u>\$190,969</u>	<u>\$634,614</u>	<u>\$1,221,777</u>
Fund Balances				
Nonspendable	\$9,845	\$0	\$27,442	\$37,287
Restricted	0	190,969	569,550	760,519
Committed	0	0	37,622	37,622
Assigned	355,807	0	0	355,807
Unassigned	30,542	0	0	30,542
<i>Total Fund Balances</i>	<u>\$396,194</u>	<u>\$190,969</u>	<u>\$634,614</u>	<u>1,221,777</u>

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

An internal service fund is used by management to charge the costs of insurance to individual funds. The assets of the internal fund are included in governmental activities in the statement of net position.	(194)
<i>Net Position of Governmental Activities</i>	<u>\$1,221,583</u>

See accompanying notes to the basic financial statements

Village of the City of Gallipolis, Ohio
Statement of Cash Receipts, Disbursements, and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2017

	General	Bond and Note Retirement	Court Capital Improvement	Other Governmental Funds	Total Governmental Funds
Receipts					
Property and Other Local Taxes	\$246,224	\$0	\$0	\$125,215	\$371,439
Municipal Income Taxes	1,582,858	0	0	0	1,582,858
Permissive Motor Vehicle License Taxes	0	0	0	59,519	59,519
Charges for Services	345,112	0	0	476,365	821,477
Fines, Licenses, and Permits	438,982	0	182,127	145,136	766,245
Franchise Fees	64,087	0	0	0	64,087
Intergovernmental	69,939	0	0	794,343	864,282
Investment Earnings	8,051	0	0	309	8,360
Donations	1,250	0	0	73,380	74,630
Miscellaneous	94,619	0	1,500	9,625	105,744
<i>Total Receipts</i>	<u>2,851,122</u>	<u>0</u>	<u>183,627</u>	<u>1,683,892</u>	<u>4,718,641</u>
Disbursements					
Current:					
General Government	706,827	0	0	467,175	1,174,002
General Government - Court	331,449	0	117,542	180,019	629,010
Security of Persons and Property:					
Police	1,051,789	0	0	34,803	1,086,592
Fire	164,617	0	0	26,391	191,008
Public Health Services	18,706	0	0	88,779	107,485
Community Environment	92,038	0	0	23,113	115,151
Transportation	64,097	0	0	250,938	315,035
Leisure Time Activities	64,495	0	0	128,344	192,839
Capital Outlay	6,877	0	0	199,998	206,875
Debt Service:					
Principal Retirement	0	426,465	0	0	426,465
Interest and Fiscal Charges	0	122,621	0	0	122,621
<i>Total Disbursements</i>	<u>2,500,895</u>	<u>549,086</u>	<u>117,542</u>	<u>1,399,560</u>	<u>4,567,083</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>350,227</u>	<u>(549,086)</u>	<u>66,085</u>	<u>284,332</u>	<u>151,558</u>
Other Financing Sources (Uses)					
Proceeds from Sale of Capital Asssts	25,000	0	0	0	25,000
Proceeds from Sale of Bond Anticipation Notes	0	0	0	46,364	46,364
Transfers In	0	549,086	7,083	102,290	658,459
Transfers Out	(221,328)	0	(50,000)	(387,131)	(658,459)
<i>Total Other Financing Sources (Uses)</i>	<u>(196,328)</u>	<u>549,086</u>	<u>(42,917)</u>	<u>(238,477)</u>	<u>71,364</u>
<i>Net Change in Fund Balances</i>	153,899	0	23,168	45,855	222,922
<i>Fund Balances Beginning of Year</i>	<u>242,295</u>	<u>0</u>	<u>167,801</u>	<u>588,759</u>	<u>998,855</u>
<i>Fund Balances End of Year</i>	<u>\$396,194</u>	<u>\$0</u>	<u>\$190,969</u>	<u>\$634,614</u>	<u>1,221,777</u>

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

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 receipts are eliminated. The net receipts (disbursements) of the internal service fund is allocated among the governmental activities.

(1,668)

Change in Net Position of Governmental Activities

\$221,254

See accompanying notes to the basic financial statements

Village of the City of Gallipolis, Ohio
*Statement of Receipts, Disbursements, and Changes
in Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Year Ended December 31, 2017*

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Receipts				
Property and Other Taxes	\$249,294	\$246,224	\$246,224	\$0
Municipal Income Taxes	1,558,500	1,564,500	1,582,858	18,358
Charges for Services	338,992	344,867	345,112	245
Fines, Licenses, and Permits	404,160	438,982	438,982	0
Franchise Fees	65,000	64,087	64,087	0
Intergovernmental	55,630	69,939	69,939	0
Investment Earnings	8,000	7,887	7,887	0
Donations	2,000	1,250	1,250	0
Miscellaneous	45,958	94,719	94,619	(100)
<i>Total Receipts</i>	2,727,534	2,832,455	2,850,958	18,503
Disbursements				
Current:				
General Government	730,001	764,742	709,615	55,127
General Government - Court	344,967	349,923	331,449	18,474
Security of Persons and Property:				
Police	1,220,269	1,192,303	1,060,117	132,186
Fire	208,100	216,951	182,460	34,491
Public Health Services	20,375	20,375	18,706	1,669
Community Environment	92,387	94,111	92,038	2,073
Transportation	64,000	64,500	64,097	403
Leisure Time Activities	73,687	82,898	64,495	18,403
Capital Outlay	6,877	6,877	6,877	0
<i>Total Disbursements</i>	2,760,663	2,792,680	2,529,854	262,826
<i>Excess of Receipts Over (Under) Disbursements</i>	(33,129)	39,775	321,104	281,329
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	30,000	25,000	25,000	0
Advances In	20,000	20,000	0	(20,000)
Transfers Out	(224,528)	(221,328)	(221,328)	0
<i>Total Other Financing Sources (Uses)</i>	(174,528)	(176,328)	(196,328)	(20,000)
<i>Net Change in Fund Balance</i>	(207,657)	(136,553)	124,776	261,329
<i>Fund Balance Beginning of Year</i>	219,005	219,005	219,005	0
Prior Year Encumbrances Appropriated	22,648	22,648	22,648	0
<i>Fund Balance End of Year</i>	\$33,996	\$105,100	\$366,429	\$261,329

See accompanying notes to the basic financial statements

Village of the City of Gallipolis, Ohio
Statement of Fund Net Position - Cash Basis
Proprietary Funds
December 31, 2017

	Business-Type Activities			Governmental Activities
	Water Fund	Sewer Fund	Total Enterprise Funds	Internal Service Fund
Assets				
Current Assets:				
Equity in Pooled Cash and Cash Equivalents	\$1,151,818	\$591,356	\$1,743,174	\$0
Cash in Segregated Accounts	0	0	0	1,618
<i>Total Assets</i>	<u>\$1,151,818</u>	<u>\$591,356</u>	<u>\$1,743,174</u>	<u>\$1,618</u>
Net Position				
Unrestricted	<u>\$1,151,818</u>	<u>\$591,356</u>	<u>1,743,174</u>	<u>\$1,618</u>

Some amounts reported for business-type activities in the statement of net position are different because internal service fund activity is included with business-type activities.

Net position of business-type activities	1,812
	<u>\$1,744,986</u>

See accompanying notes to the basic financial statements

Village of the City of Gallipolis, Ohio
*Statement of Cash Receipts, Disbursements,
and Changes in Fund Net Position*
Proprietary Funds
For the Year Ended December 31, 2017

	Business-Type Activities			Governmental
	Water Fund	Sewer Fund	Total Enterprise Funds	Internal Service Fund
Operating Receipts				
Charges for Services	\$1,724,193	\$1,544,658	\$3,268,851	\$150,295
Other Operating Receipts	12,451	56,005	68,456	0
<i>Total Operating Receipts</i>	<u>1,736,644</u>	<u>1,600,663</u>	<u>3,337,307</u>	<u>150,295</u>
Operating Disbursements				
Salaries and Benefits	766,080	664,626	1,430,706	0
Contractual Services	277,003	435,633	712,636	153,158
Materials and Supplies	129,115	79,680	208,795	0
<i>Total Operating Disbursements</i>	<u>1,172,198</u>	<u>1,179,939</u>	<u>2,352,137</u>	<u>153,158</u>
<i>Operating Income (Loss)</i>	<u>564,446</u>	<u>420,724</u>	<u>985,170</u>	<u>(2,863)</u>
Non-Operating Receipts (Disbursements)				
Capital Outlay	(200,713)	(184,894)	(385,607)	0
Loan Proceeds	0	225,026	225,026	0
Customer Deposits Received	17,500	0	17,500	0
Customer Deposits Returned	(24,863)	0	(24,863)	0
Debt Service Principal	(1,448)	(393,005)	(394,453)	0
Interest and Fiscal Charges	0	(81,129)	(81,129)	0
<i>Total Non Operating Receipts (Disbursements)</i>	<u>(209,524)</u>	<u>(434,002)</u>	<u>(643,526)</u>	<u>0</u>
<i>Change in Net Position</i>	354,922	(13,278)	341,644	(2,863)
<i>Net Position Beginning of Year</i>	<u>796,896</u>	<u>604,634</u>		<u>4,481</u>
<i>Net Position End of Year</i>	<u>\$1,151,818</u>	<u>\$591,356</u>		<u>\$1,618</u>

Some amounts reported for business-type activities in the statement of activities are different because the net disbursements of the internal service fund is reported with business-type activities.

	(1,195)
Change in net position of business-type activities	\$340,449

See accompanying notes to the basic financial statements

Village of the City of Gallipolis, Ohio
Statement of Net Position - Cash Basis
Municipal Court Agency Fund
December 31, 2017

Assets

Cash and Cash Equivalents in Segregated Accounts	<u><u>\$283,944</u></u>
--	-------------------------

Net Position

Restricted for Others	<u><u>\$283,944</u></u>
-----------------------	-------------------------

See accompanying notes to the basic financial statements

Village of the City of Gallipolis, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2017

Note 1 - Description of the Village and the Reporting Entity

The Village of the City of Gallipolis, Ohio (the Village), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio, as well as an adopted Village charter. The Village is directed by a five-member Commission elected at large for four year terms and a Village Manager appointed by the Commission.

Reporting Entity

The financial reporting entity consists of the primary government, component units, and other governmental organizations that are included to ensure the financial statements are not misleading. The primary government of the Village consists of all funds, departments, boards, and agencies that are not legally separate from the Village. For the Village, this includes the departments that provide various services including police and fire protection, recreation (including parks), planning and zoning, street maintenance and repair, water and water pollution control, and general administrative services. These activities are directly controlled by the Commission through the budgetary process and by the Village Auditor and the Village Manager through administrative and managerial requirements and procedures.

Component units are legally separate organizations for which the Village is financially accountable. The Village is financially accountable for an organization if the Village appoints a voting majority of the organization's governing board and (1) the Village is able to significantly influence the programs or services performed or provided by the organization; or (2) the Village is legally entitled to or can otherwise access the organization's resources; the Village is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Village is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent upon the Village in that the Village approves the budget, the issuance of debt, or the levying of taxes, and there is a potential for the organization to provide specific financial benefit to, or impose specific financial burdens on, the primary government. No separate government units meet the criteria for inclusion as a component unit.

The Village is associated with the Gallia Metropolitan Housing Authority, an organization that is defined as a related organization. This organization is presented in Note 15 to the basic financial statements.

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

Note 2 - Summary of Significant Accounting Policies

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. The cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). General accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the Village's accounting policies.

A. Basis of Presentation

The Village's basic financial statements consist of government-wide statements, including a statement of net position 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 position and the statement of activities display information about the Village as a whole. These statements include the financial activities of the primary government, except for the fiduciary funds. The statements distinguish between those activities

Village of the City of Gallipolis, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2017

that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts, or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of net position presents the cash balances of the governmental and business-type activities of the Village at year end. The statement of activities compares disbursements with program receipts for each of the Village's governmental and business-type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Village is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function or business-type activity is self-financing on a cash basis or draws from the Village's general receipts.

Fund Financial Statements During the year, the Village segregates transactions related to certain Village 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 Village at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

Proprietary fund statements distinguish operating transactions from nonoperating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the fund's principal services. Operating disbursements include costs of sales and services and administrative costs. The proprietary fund statements report all other receipts and disbursements as nonoperating.

B. Fund Accounting

The Village uses fund accounting 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. There are three categories of funds utilized by the Village: 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. The following are the Village's major governmental funds:

General Fund The General Fund accounts for and reports all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the Village for any purpose, provided it is expended and transferred according to the general laws of Ohio.

Bond and Note Retirement Debt Service Fund This fund accounts for and reports the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related costs.

Court Capital Improvement Capital Projects Fund This fund was established per ORC 1901.26 for additional funds necessary to acquire and pay for special projects of the Court including the acquisition of additional facilities.

The other governmental funds of the Village account for grants and other resources whose use is restricted or committed to a particular purpose.

Village of the City of Gallipolis, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2017

Proprietary Funds The Village classifies funds financed primarily from user charges for goods or services as proprietary. The Village's proprietary funds are all classified as enterprise funds and an internal service fund. Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. All of the Village's enterprise funds are major funds.

Water Enterprise Fund The Water Fund is used to account for the revenues generated from the charges for distribution of water to residential and commercial users of the Village.

Sewer Enterprise Fund The Sewer Fund is used to account for the revenues generated from the charges for sanitary sewer services provided to residential and commercial users of the Village.

Internal Service Fund The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the Village on a cost reimbursement basis. The Village's only internal service fund accounts for the operation of the Village's self-insurance program for employee medical reimbursement program.

Fiduciary Funds Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the Village under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the Village's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

The Village's fiduciary funds are all classified as agency funds. The Village's agency funds account for assets held by the Village as agent for the Digital River Project, fire loss recovery activities, and municipal court collections that are distributed to the State and various local governments. The Municipal Court Agency Fund is the only fiduciary fund presented in the financial statements since it is the only fiduciary fund that has a balance at year end.

C. Basis of Accounting

The Village's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Village's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Village are described in the appropriate section in this note.

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Village Commission may appropriate. The appropriation resolution is the Village Commission's authorization to spend resources and set annual limits on cash disbursements plus encumbrances at a level of control selected by the Village Commission. The legal level of control has been established by the Village Commission at the fund and function level for all funds.

Village of the City of Gallipolis, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2017

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

The appropriation resolution is subject to amendment throughout the year with the restriction that appropriations may not exceed estimated resources. The amounts reported as the original budgeted amounts in the budgetary statements reflect the first appropriation for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as final budgeted amounts represent the final appropriation amounts passed by the Village Commission during the year.

E. Cash and Cash Equivalents

To improve cash management, cash received by the Village is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through Village records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents."

The Village has segregated bank accounts for monies held separate from the Village's pooled accounts. These depository accounts are presented as "Cash in Segregated Accounts" since they are not deposited into the Village's treasury.

The Village had no investments during the year or at year end.

Interest earnings are allocated to Village funds according to State statutes, grants requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2017 amounted to \$8,051, which includes \$6,977 assigned from other Village funds.

F. Restricted Assets

Cash and cash equivalents are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either externally imposed by the creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation. Unclaimed monies that are required to be held for five years before they may be utilized by the Village are reported as restricted.

G. Inventory and Prepaid Items

The Village reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

H. Capital Assets

Acquisitions of property, plant, and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

I. Interfund Receivables/Payables

The Village reports advances in and advances out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

Village of the City of Gallipolis, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2017

J. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's cash basis of accounting.

K. Employer Contributions to Cost-Sharing Pension Plans

The Village recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 10 and 11, the employer contributions include portions for pension benefits and for postretirement health care benefits.

L. Long-Term Obligations

The Village's cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid.

M. Net Position

Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes includes activities involving the Victim's of Crime Act (VOCA) Grant.

The Village's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

N. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The "not in spendable form" includes items that are not expected to be converted to cash.

Restricted Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Village Commissioners. Those committed amounts cannot be used for any other purpose unless the Commission removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Village of the City of Gallipolis, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2017

Assigned Amounts in the assigned fund balance classification are intended to be used by the Village for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Village Commissioners or a Village official delegated that authority by resolution or by State Statute.

Unassigned Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first, followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

O. Interfund Transactions

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. Transfers between governmental activities are eliminated. Internal allocations of overhead expenses from one program to another or within the same program are eliminated on the Statement of Activities. Payments of interfund services provided and used are not eliminated.

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies 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 receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

Note 3 - Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – Budget Basis presented for the General Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis are as follows:

1. Outstanding year end encumbrances are treated as expenditures (budgetary basis) rather than restricted, committed, or assigned fund balance (cash basis).
2. Unreported interest is reported on the statement of cash receipts, disbursements, and changes in fund balances, but not on the budgetary basis.

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

Village of the City of Gallipolis, Ohio

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2017*

Cash Basis	\$153,899
Unreported Interest:	
Beginning of Year	642
End of Year	(806)
Encumbrances	<u>(28,959)</u>
Budget Basis	<u><u>\$124,776</u></u>

Note 4 - Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the Village is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds for 2017 are presented below:

Fund Balances	General	Court Capital Improvement	Other Governmental	Total
Nonspendable:				
Unclaimed Monies	\$9,845	\$0	\$0	\$9,845
Cemetery Endowments	0	0	27,442	27,442
<i>Total Nonspendable</i>	<u>9,845</u>	<u>0</u>	<u>27,442</u>	<u>37,287</u>
Restricted for:				
Street Improvements	0	0	60,847	60,847
Fire Protection	0	0	67,643	67,643
Law Enforcement	0	0	55,753	55,753
Cemeteries	0	0	18,881	18,881
Recreation	0	0	56,781	56,781
Community Environment	0	0	11,447	11,447
Court Operations	0	0	292,120	292,120
Court Improvements	0	190,969	0	190,969
Other Purposes	0	0	6,078	6,078
<i>Total Restricted</i>	<u>0</u>	<u>190,969</u>	<u>569,550</u>	<u>760,519</u>
Committed for:				
Recreation	0	0	6,063	6,063
Sanitation	0	0	31,559	31,559
<i>Total Committed</i>	<u>0</u>	<u>0</u>	<u>37,622</u>	<u>37,622</u>
Assigned to:				
Year 2018 Appropriations	326,848	0	0	326,848
Purchases on Order	28,959	0	0	28,959
<i>Total Assigned</i>	<u>355,807</u>	<u>0</u>	<u>0</u>	<u>355,807</u>
Unassigned:	30,542	0	0	30,542
<i>Total Fund Balances</i>	<u><u>\$396,194</u></u>	<u><u>\$190,969</u></u>	<u><u>\$634,614</u></u>	<u><u>\$1,221,777</u></u>

Village of the City of Gallipolis, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2017

Note 5 - Deposits and Investments

Monies held by the Village are classified by State statute into three categories.

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

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

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

Interim monies held by the Village can 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 obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debenture, 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, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio, and with certain limitation bonds and other obligations of political subdivisions of the State of Ohio;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met; and
8. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days.

Village of the City of Gallipolis, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2017

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. Investments may only be made through specified dealers and institutions.

Deposits Custodial credit risk for deposits is the risk that in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. At December 31, 2017, \$2,816,297 of the Village's bank balance of \$3,316,303 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the Village to a successful claim by the FDIC.

The Village has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Village or a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Note 6 - Income Taxes

The Village levies a one percent income tax whose proceeds are placed into General Fund. The Village levies and collects the tax on all income earned within the Village as well as on incomes of residents earned outside of the Village. In the latter case, the Village allows a credit for income taxes paid to another municipality up to the full amount of the tax owed. Employers within the Village are required to withhold income tax on employee earnings and remit the tax to the Village at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return with the Village.

Note 7 - Property Taxes

Property taxes include amounts levied against all real and public utility property located in the Village. Property tax revenue received during 2017 for real and public utility property taxes represents collections of 2016 taxes.

2017 real property taxes were levied after October 1, 2017, on the assessed value as of January 1, 2017, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2017 real property taxes are collected in and intended to finance 2018.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2017 public utility property taxes which became a lien December 31, 2016, are levied after October 1, 2017, and are collected in 2018 with real property taxes.

The full tax rate for all Village operations for the year ended December 31, 2017, was \$3.90 per \$1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2017 property tax receipts were based are as follows:

Village of the City of Gallipolis, Ohio

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2017*

Real Property:	
Residential and Agricultural	\$42,066,780
Commercial/Industrial/Mineral	34,092,240
Public Utility Personal Property	3,450,670
Other	<u>203,777</u>
Total Assessed Value	<u><u>\$79,813,467</u></u>

Note 8 - Interfund Receivables/Payables

A. Transfers

During 2017, the following transfers were made:

<u>Transfer to</u>	<u>Transfer from</u>			<u>Total</u>
	<u>Major Funds</u>		Other Nonmajor Governmental	
	<u>General</u>	<u>Court Capital Improvement</u>		
Major Funds:				
Bond and Note Retirement Fund	\$127,858	\$50,000	\$371,228	\$549,086
Court Capital Improvement Fund	0	0	7,083	7,083
Other Nonmajor Governmental Funds	<u>93,470</u>	<u>0</u>	<u>8,820</u>	<u>102,290</u>
Total all Funds	<u><u>\$221,328</u></u>	<u><u>\$50,000</u></u>	<u><u>\$387,131</u></u>	<u><u>\$658,459</u></u>

The above mentioned Transfers From/To were used to move receipts from the fund that Statute or budget requires to collect them to the fund that statute or budget requires to expend them; to use unrestricted receipts collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; and for debt service requirements.

B. Interfund Balances

For governmental activities, interfund balances at December 31, 2017, arise from the provision of cash flow resources from the General Fund, Cemeteries Fund, Court Probation Services Fund, and Court Capital Improvement Fund until the receipt of charges and grant monies by the General Fund, ODNR Capital Improvement Fund, and other nonmajor governmental funds.

Village of the City of Gallipolis, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2017

	Interfund Receivables	Interfund Payables
Major Funds:		
General Fund	\$20,000	\$8,800
Court Capital Improvement Fund	14,500	0
ODNR Capital Improvement Grant	0	20,000
Other Nonmajor Governmental Funds:		
Court Grant Funds	0	21,191
Community Corrections Grant Fund	0	2,500
Court Probation Services Fund	9,191	0
Cemeteries Fund	8,800	0
Total all Funds	\$52,491	\$52,491

Note 9 - Risk Management

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Village contracts with The Travelers for its coverage as follows:

Property	Limit	Deductible
Real and Personal Property	\$27,032,950	\$1,000
Liability		
Commercial General	6,000,000	0
Employee Benefits	1,000,000	1,000
Law Enforcement	6,000,000	5,000
Public Entity Management	6,000,000	5,000
Auto		
Liability	6,000,000	1,000
Medical Payments	5,000	0
Uninsured Motorist	100,000	0

There were no significant reductions in coverage from prior years. Settlements have not exceeded coverage in any of the last three years.

The Village pays the State Workers' Compensation System a premium for employee injury coverage based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

Note 10 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Plan Description – Village employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. Village employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

Village of the City of Gallipolis, Ohio

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2017*

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS’ fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information, including requirements for reduced and unreduced benefits):

Group A	Group B	Group C
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

Final average Salary (FAS) represents the average of the three highest years of earnings over a member’s career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member’s career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Funding Policy – The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

Village of the City of Gallipolis, Ohio

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2017*

	<u>State and Local</u>
2017 Statutory Maximum Contribution Rates	
Employer	14.0%
Employee	10.0%
2017 Actual Contribution Rates	
Employer:	
Pension	13.0%
Post-employment Health Care Benefits	<u>1.0</u>
Total Employer	<u>14.0%</u>
Employee	<u>10.0%</u>

* This rate is determined by OPERS' Board and has no maximum rate established by ORC.

** This rate is also determined by OPERS' Board, but is limited by ORC to not more than 2 percent greater than the Public Safety rate.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

The Village's contractually required contribution was \$268,241 for year 2017.

Plan Description – Ohio Police & Fire Pension Fund (OPF)

Plan Description – Village full-time police and firefighters participate in Ohio Police and Fire Pension Fund (OP&F), a cost-sharing, multiple-employer defined benefit pension plan administered by OP&F. OP&F provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OP&F fiduciary net position. The report that may be obtained by visiting the OP&F website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Upon attaining a qualifying age with sufficient years of service, a member of OP&F may retire and receive a lifetime monthly pension. OP&F offers four types of service retirement: normal, service commuted, age/service commuted and actuarially reduced. Each type has different eligibility guidelines and is calculated using the member's average annual salary. The following discussion of the pension formula relates to normal service retirement.

For members hired after July 1, 2013, the minimum retirement age is 52 for normal service retirement with at least 25 years of service credit. For members hired on or before after July 1, 2013, the minimum retirement age is 48 for normal service retirement with at least 25 years of service credit.

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit (see OP&F CAFR referenced above for additional information, including requirements for Deferred Retirement Option Plan provisions and reduced and unreduced benefits.)

Under normal service retirement, retired members who are at least 55 years old and have been receiving OP&F benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55

Village of the City of Gallipolis, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2017

provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit, surviving beneficiaries, and statutory survivors.

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, and members whose pension benefit became effective on or after July 1, 2013, will receive a COLA equal to a percentage of the member's base pension benefit where the percentage is the lesser of three percent or the percentage increase in the consumer price index, if any, over the 12 month period that ends on the thirtieth day of September of the immediately preceding year, rounded to the nearest one-tenth of one percent.

Funding Policy – The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	<u>Police</u>	<u>Firefighters</u>
2017 Statutory Maximum Contribution Rates		
Employer	19.50%	24.00%
Employee	12.25%	12.25%
2017 Actual Contribution Rates		
Employer:		
Pension	19.00%	23.50%
Post-employment Health Care Benefits	<u>0.50</u>	<u>0.50</u>
Total Employer	<u>19.50%</u>	<u>24.00%</u>
Employee	12.25%	12.25%

Employer contribution rates are expressed as a percentage of covered payroll. The Village's contractually required contribution to OP&F was \$84,407 for 2017.

Note 11 - Postemployment Benefits

A. Ohio Public Employees Retirement System

Plan Description - The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional pension plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

In March 2016, OPERS received two favorable rulings from the Internal Revenue Service (IRS) allowing OPERS to consolidate all health care assets into the OPERS 115 Health Care Trust. Transition to the new health care trust structure was completed July 1, 2016. As of December 31, 2016, OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage. OPERS funds a Retiree Medical Account (RMA) for participants in the Member-Directed Plan. At retirement or refund, participants can be reimbursed for qualified medical expenses from their vested RMA balance. (The latest information available.)

Village of the City of Gallipolis, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2017

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. See OPERS' CAFR referenced below for additional information.

The Ohio Revised Code permits, but does not require OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2017, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2017 was 4.0 percent.

Substantially all of the Village's contribution allocated to fund postemployment health care benefits relates to the cost-sharing, multiple employer trusts. The corresponding contribution for the years ended December 31, 2017, 2016, and 2015 was \$20,634, \$39,398, and \$35,397, respectively. The full amount has been contributed for 2017, 2016, and 2015.

B. Police and Fire Pension Fund

Plan Description - The Village contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored healthcare program, a cost-sharing, multiple-employer defined post-employment healthcare plan administered by OP&F. OP&F provides health care benefits including coverage for medical, prescription drug, dental, vision, Medicare Part B Premium, and long-term care to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to postretirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or statutory survivor benefit, or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in Government Accounting Standards Board (GASB) Statement No. 45.

Village of the City of Gallipolis, Ohio

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2017*

The Ohio Revised Code allows, but does not mandate, OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. The report may be obtained by visiting the OP&F website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy - The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently 19.5 percent and 24 percent of covered payroll for police and fire employer units. Active members do not make contributions to the OPEB Plan.

OP&F maintains funds for health care in two separate accounts. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B reimbursements administered as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2017, the portion of employer contributions allocated to health care was 0.5 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The OP&F Board of Trustees is also authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The Village's contribution to OP&F which was allocated to fund postemployment health care benefits for police and firefighters was \$2,022 and \$161 for the year ended December 31, 2017, \$1,991 and \$160 for the year ended December 31, 2016, and \$2,306 and \$164 for the year ended December 31, 2015. The full amount has been contributed for 2017, 2016, and 2015.

Note 12 - Significant Commitments

A. Contractual Commitments

As of December 31, 2017, the Village had a contractual purchase commitment in the Sewer Enterprise Fund as follows:

<u>Project</u>	<u>Purchase Commitments</u>	<u>Paid as of 12/31/2017</u>	<u>Remaining on Contract</u>
Water Pollution Control Facility Improvements	\$7,741,778	\$7,670,543	\$71,235

Village of the City of Gallipolis, Ohio

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2017*

B. Encumbrances

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end, the amount of encumbrances expected to be honored upon performance by the vendor in the next year were as follows:

Governmental Activities:	
General Fund	\$28,959
Court Capital Improvement Fund	6,540
Nonmajor Governmental Funds	<u>14,154</u>
Total Governmental Activities	<u>49,653</u>
Business-Type Activities:	
Water Fund	8,567
Sewer Fund	<u>28,116</u>
Total Business-Type Activities	<u>36,683</u>
Total	<u><u>\$86,336</u></u>

Note 13 - Capital Leases

In prior years, the Village entered into agreements to lease equipment and vehicles. Such agreements are, in substance, lease purchases and are reflected as capital lease obligations. Principal payments for all capital leases during 2017 totaled \$78,764 and are reported as program/operating disbursements. Future minimum lease payments through 2020 are as follows:

Year	Governmental Activities		Business-Type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$27,732	\$1,358	\$14,635	\$656	\$42,367	\$2,014
2019	26,693	584	13,812	210	40,505	794
2020	5,466	92	0	0	5,466	92
	<u>\$59,891</u>	<u>\$2,034</u>	<u>\$28,447</u>	<u>\$866</u>	<u>\$88,338</u>	<u>\$2,900</u>

Note 14 - Long-Term Obligations

Changes in long-term obligations of the Village during 2017 were as follows:

Village of the City of Gallipolis, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2017

	Principal Outstanding 12/31/16	Additions	Deductions	Principal Outstanding 12/31/17	Amounts Due in One Year
Governmental Activities:					
Bond Anticipation Notes:					
2014 Fire Equipment - 6.00%	\$386,579	\$0	\$24,892	\$361,687	\$25,812
2015 Riverfront Access Improvement - 3.05%	274,417	46,364	258,793	61,988	0
Total Bond Anticipation Notes	660,996	46,364	283,685	423,675	25,812
General Obligation Bonds:					
2002 Fire Station - 4.99%	404,202	0	19,570	384,632	20,558
2011 Various Purpose - 3.91%	1,926,603	0	96,587	1,830,016	100,401
2013 Street Improvement - 3.55%	282,564	0	19,261	263,303	19,951
2016 Parking Lot - 3.65%	71,951	0	7,362	64,589	7,634
Total General Obligation Bonds	2,685,320	0	142,780	2,542,540	148,544
Capital Leases	122,587	0	62,696	59,891	27,732
Total Governmental Activities	\$3,468,903	\$46,364	\$489,161	\$3,026,106	\$202,088
Business-Type Activities:					
2010 OPWC Spruce Street Water and Sewer Improvements - 0%	\$99,280	\$0	\$4,052	\$95,228	\$4,053
2013 OWDA - Waste Water Treatment Plant - 1.00%	1,258,750	0	39,980	1,218,770	40,381
2013 OWDA - Water Pollution Control Facility - 1.00%	6,637,816	225,026	333,754	6,529,088	0
2013 OPWC Water Pollution Control Facility - 0%	500,000	0	16,667	483,333	16,666
Total Loans	8,495,846	225,026	394,453	8,326,419	61,100
Capital Leases	44,515	0	16,068	28,447	14,635
Total Business-Type Activities	\$8,540,361	\$225,026	\$410,521	\$8,354,866	\$75,735

The Fire Equipment Bond Anticipation Notes, originally issued on March 15, 2014, in the amount of \$445,000, represents amounts borrowed for the purchase of fire equipment and specifically, a pumper truck and a brush truck. The notes will be retired from property tax receipts in the Fire Levy Special Revenue Fund.

Principal and interest requirements to retire the Fire Equipment Bond Anticipation Notes outstanding at December 31, 2017, are as follows:

Village of the City of Gallipolis, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2017

Year Ended December 31,	Principal	Interest	Total
2018	\$25,812	\$13,004	\$38,816
2019	26,765	12,050	38,815
2020	27,754	11,062	38,816
2021	28,779	10,037	38,816
2022	29,842	8,974	38,816
2023 - 2027	166,579	27,499	194,078
2028 - 2029	56,156	2,068	58,224
	<u>\$361,687</u>	<u>\$84,694</u>	<u>\$446,381</u>

Riverfront Access Improvement Bond Anticipations Notes, in the amount of \$954,597, have been issued. The Village has retired \$892,609 of the issued amount; however, additional funds are available to the Village and no amortization schedule exists.

The Fire Station General Obligation Bonds, originally issued on February 25, 2002, in the amount of \$602,000, represents amounts borrowed for the construction of a fire station and will be retired from property tax receipts in the Fire Levy Special Revenue Fund.

Principal and interest requirements to retire the Fire Station General Obligation Bonds outstanding at December 31, 2017, are as follows:

Year Ended December 31,	Principal	Interest	Total
2018	\$20,558	\$18,940	\$39,498
2019	21,597	17,901	39,498
2020	22,688	16,810	39,498
2021	23,835	15,664	39,499
2022	25,038	14,460	39,498
2023 - 2027	145,497	51,996	197,493
2028 - 2031	125,419	12,825	138,244
	<u>\$384,632</u>	<u>\$148,596</u>	<u>\$533,228</u>

The Various Purpose Bonds was issued on September 30, 2011, for \$2,342,000 and matures on December 1, 2031. The bonds were issued for the purpose of acquiring and constructing a new justice center and an auxiliary fire station. The bonds will be retired from property tax receipts and court fees.

Principal and interest requirements to retire the Various Purpose Bonds outstanding at December 31, 2017, are as follows:

Year Ended December 31,	Principal	Interest	Total
2018	\$100,401	\$70,582	\$170,983
2019	104,365	66,618	170,983
2020	108,486	62,497	170,983
2021	112,769	58,214	170,983
2022	117,221	53,761	170,982
2023 - 2027	659,293	195,619	854,912
2028 - 2031	627,481	56,448	683,929
	<u>\$1,830,016</u>	<u>\$563,739</u>	<u>\$2,393,755</u>

Village of the City of Gallipolis, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2017

The Street Improvement Bonds was issued on February 27, 2013, for \$353,175 and matures on December 1, 2028. The bonds were issued for the purpose of paying part of the cost of constructing street and road improvements. The bonds will be retired from general property tax revenues of the Village.

Principal and interest requirements to retire the Street Improvement Bonds outstanding at December 31, 2017, are as follows:

Year Ended December 31,	Principal	Interest	Total
2018	\$19,951	\$9,172	\$29,123
2019	20,666	8,457	29,123
2020	21,406	7,717	29,123
2021	22,173	6,950	29,123
2022	22,966	6,156	29,122
2023 - 2027	127,776	17,838	145,614
2028	28,365	758	29,123
	<u>\$263,303</u>	<u>\$57,048</u>	<u>\$320,351</u>

The 2016 Parking Lot Bonds, originally issued on March 31, 2016, in the amount of \$80,000, represents amounts borrowed for the purchase of property and the improvements to the property for the use as a parking lot. The notes will be retired from property tax receipts in the General Fund.

Principal and interest requirements to retire the 2016 Parking Lot Bonds outstanding at December 31, 2017, are as follows:

Year Ended December 31,	Principal	Interest	Total
2018	\$7,634	\$2,288	\$9,922
2019	7,915	2,007	9,922
2020	8,206	1,716	9,922
2021	8,509	1,414	9,923
2022	8,822	1,100	9,922
2023 - 2025	23,503	1,302	24,805
	<u>\$64,589</u>	<u>\$9,827</u>	<u>\$74,416</u>

The OPWC Spruce Street Water and Sewer Improvement Loan began draws in 2010 and was obtained to finance the improvements to water and sewer lines on Spruce Street. The loan activity is reflected in the Sewer and Water Enterprise Funds which received the proceeds and will repay the debt.

Principal requirements to retire the OPWC Spruce Street Water and Sewer Improvement Loan outstanding at December 31, 2017, are as follows:

Village of the City of Gallipolis, Ohio

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2017*

Year Ended December 31,	Principal
2018	\$4,053
2019	4,052
2020	4,053
2021	4,052
2022	4,052
2023 - 2027	20,261
2028 - 2032	20,261
2033 - 2037	20,262
2038 - 2041	14,182
	<u>\$95,228</u>

The 2013 Ohio Water Development Authority (OWDA) Wastewater Treatment Plant Headworks Loan relates to the engineering and design of improvements to the headworks at the wastewater treatment plant. The loan activity is reflected in the Sewer Enterprise Fund which received the proceeds and will repay the debt.

Principal and interest requirements to retire the Wastewater Treatment Plant Headworks Loan outstanding at December 31, 2017, are as follows:

Year Ended December 31,	Principal	Interest	Total
2018	\$40,381	\$12,088	\$52,469
2019	40,786	11,682	52,468
2020	41,195	11,273	52,468
2021	41,608	10,860	52,468
2022	42,025	10,443	52,468
2023 - 2027	216,530	45,812	262,342
2028 - 2032	227,602	34,738	262,340
2033 - 2037	239,244	23,097	262,341
2038 - 2042	251,477	10,865	262,342
2043 - 2044	77,922	780	78,702
	<u>\$1,218,770</u>	<u>\$171,638</u>	<u>\$1,390,408</u>

The 2013 Ohio Water Development Authority (OWDA) Water Pollution Control Facility Improvement Loan relates to the planning, design, and construction of upgrades to existing wastewater facilities. As of December 31, 2017, this loan has not been fully drawn down and no amortization schedule exists. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The OPWC Water Pollution Control Facility Loan was obtained in 2013 to finance the planning, design, and construction of upgrades to existing wastewater facilities. The loan activity is reflected in the Sewer Enterprise Fund which received the proceeds and will repay the debt.

Principal requirements to retire the OPWC Water Pollution Control Facility Loan outstanding at December 31, 2017, are as follows:

Village of the City of Gallipolis, Ohio

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2017*

<u>Year Ended December 31,</u>	<u>Principal</u>
2018	\$16,666
2019	16,667
2020	16,667
2021	16,666
2022	16,667
2023 - 2027	83,333
2028 - 2032	83,334
2033 - 2037	83,333
2038 - 2042	83,333
2043 - 2046	66,667
	<u>\$483,333</u>

The Village's overall legal debt margin was \$5,414,199, with an unvoted debt margin of \$1,423,526 at December 31, 2017.

Note 15 - Related Organization

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 board members are appointed by the Village, one member is appointed by the Gallia County Probate Court Judge, one member is appointed by the Gallia County Common Pleas Court Judge, and one member is appointed by the Gallia County Commissioners. The Authority receives funding from the U.S. Department of Housing and Urban Development. The Board sets its own budget and selects its own management, and the Village is not involved in its management or operation. The Village is not financially accountable for the Authority.

Note 16 - Contingencies

A. Grants

The Village receives financial assistance from federal and State agencies in the form of grants. Disbursing grant funds generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims through December 31, 2017, will not have a material adverse effect on the Village.

B. Litigation

The Village is currently party to pending litigation seeking damages and/or injunctive relief as confirmed by the Village Solicitor. The outcomes are not known at this time. The Village management is of the opinion that ultimate disposition of these claims and legal proceeding will not have a material effect, if any, on the financial condition of the Village.

Village of the City of Gallipolis, Ohio

Management's Discussion and Analysis

For the Year Ended December 31, 2016

Unaudited

The discussion and analysis of the Village of the City of Gallipolis' (the Village) financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2016, within the limitations of the Village's cash basis accounting. Readers should also review the basic financial statements and notes to the financial statements to enhance their understanding of the Village's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights are as follows:

- For 2016, total net position decreased \$27,633, with governmental activities decreasing \$113,865 and business-type activities increasing \$86,232.
- For 2016, the Village had four governmental major funds: the General Fund; the Court Capital Improvement and ODNR Capital Improvement Capital Projects Funds; and the Bond and Note Retirement Debt Service Fund. The fund balance of the General and Court Capital Improvement Funds decreased \$37,604 and \$9,498, respectively, while the ODNR Capital Improvement Fund increased \$8,900.
- The Village has two business-type activities: the Water and Sewer Funds. For 2016, the Water Fund's net position increased \$246,540 and the Sewer Fund's decreased \$159,267.

USING THE BASIC FINANCIAL STATEMENTS

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Village's cash basis of accounting.

Report Components

The statement of net position and the statement of activities provide information about the cash activities of the Village as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained in the financial records of the Village as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the basic financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Village has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Village's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

Village of the City of Gallipolis, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2016
Unaudited

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the Village of the City of Gallipolis as a Whole

Statement of Net Position and Statement of Activities

The statement of net position and the statement of activities reflect how the Village did financially during 2016, within the limitations of the cash basis of accounting. The statement of net position presents the cash balances of the governmental and business-type activities of the Village at year end. The statement of activities compares cash disbursements with program receipts for each governmental program and business-type activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or business-type activity draws from the Village's general receipts.

These statements report the Village's cash position and changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Village's financial health. Over time, increases or decreases in the Village's cash position is one indicator of whether the Village's financial health is improving or deteriorating. When evaluating the Village's financial condition, you should also consider other nonfinancial factors as well, such as the Village's property tax base, the condition of the Village's capital assets and infrastructure, the extent of the Village's debt obligations, and the reliance on non-local financial resources for operations.

In the statement of net position and the statement of activities, we divide the Village into two types of activities:

- Governmental Activities – Most of the Village's basic services are reported here, including police, fire, streets, and parks. Charges for services, state and federal grants, and income and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.
- Business-Type Activities – Water and sewer services have charges based on the amounts of usage. The Village charges fees to recoup the cost of the entire operation of our water and sewer treatment plants, as well as all capital expenses associated with these facilities and equipment.

Reporting the Village of the City of Gallipolis' Most Significant Funds

Fund Financial Statements

Fund financial statements provide detailed information about the Village's major funds – not the Village as a whole. The Village establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Village are split into three categories: governmental, proprietary, and fiduciary.

Village of the City of Gallipolis, Ohio

Management's Discussion and Analysis

For the Year Ended December 31, 2016

Unaudited

- **Governmental Funds** - Most of the Village's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Village's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Village's programs. The Village's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Village's major governmental funds are the General Fund, the Court Capital Improvement and ODNR Capital Improvement Capital Projects Funds, and the Bond and Note Retirement Debt Service Fund. The programs reported in the governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements. We describe this relationship in reconciliations, if necessary.
- **Proprietary Funds** - When the Village charges customers for the services it provides, these services are generally reported in proprietary funds. When the services are provided to the general public, the activity is reported as an enterprise fund. The Village has two enterprise funds, the Water and Sewer Funds. The Village also has an internal service fund for medical expense reimbursements.
- **Fiduciary Funds** - Fiduciary funds are used to account for resources held for the benefit of parties outside the Village. They are not reflected on the government-wide financial statements because the resources from those funds are not available to support the Village's programs.

Village of the City of Gallipolis, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2016
Unaudited

THE VILLAGE OF THE CITY OF GALLIPOLIS AS A WHOLE

Table 1 provides a summary of the Village's net position for 2016 compared to 2015 on a cash basis:

(Table 1)
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Assets						
Cash and Cash Equivalents	\$998,855	\$1,111,045	\$1,401,530	\$1,270,925	\$2,400,385	\$2,381,970
Cash in Segregated Accounts	4,481	7,197	0	0	4,481	7,197
Investments	0	0	0	43,332	0	43,332
Internal Balances	(3,007)	(4,048)	3,007	4,048	0	0
<i>Total Assets</i>	<u>\$1,000,329</u>	<u>\$1,114,194</u>	<u>\$1,404,537</u>	<u>\$1,318,305</u>	<u>\$2,404,866</u>	<u>\$2,432,499</u>
Net Position						
Restricted for:						
Street	\$85,978	\$53,054	\$0	\$0	\$85,978	\$53,054
Police	55,606	45,354	0	0	55,606	45,354
Fire	38,820	69,904	0	0	38,820	69,904
Cemeteries	13,056	27,851	0	0	13,056	27,851
Recreation	68,734	47,803	0	0	68,734	47,803
Court	414,788	516,119	0	0	414,788	516,119
Unclaimed Monies	8,058	8,379	0	0	8,058	8,379
Perpetual Care - Nonexpendable	27,442	27,442	0	0	27,442	27,442
Other Purposes	5,086	5,136	0	0	5,086	5,136
Unrestricted	282,761	313,152	1,404,537	1,318,305	1,687,298	1,631,457
<i>Total Net Position</i>	<u>\$1,000,329</u>	<u>\$1,114,194</u>	<u>\$1,404,537</u>	<u>\$1,318,305</u>	<u>\$2,404,866</u>	<u>\$2,432,499</u>

As mentioned previously, net position of governmental activities decreased \$113,865 and the business-type activities net position increased \$86,232 during 2016. The primary reason contributing to the decrease in governmental activities is the increase in capital outlay and principal retirement expenditures related to the Riverfront Access Improvement project. Bond anticipation notes were obtained to provide funding for the project in advance of receiving funds from a grant. The net cost of the project to the Village consists of only the interest paid on the bond anticipation notes.

Table 2 reflects the changes in net position on a cash basis in 2016 and 2015 for governmental activities, business-type activities, and total primary government.

Village of the City of Gallipolis, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2016
Unaudited

(Table 2)
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Receipts						
Program Receipts:						
Charges for Services	\$1,635,527	\$1,589,111	\$3,323,869	\$3,187,189	\$4,959,396	\$4,776,300
Operating Grants, Contributions and Interest	375,733	345,971	0	0	375,733	345,971
Capital Grants and Contributions and Interest	717,367	114,551	362,203	573,784	1,079,570	688,335
<i>Total Program Receipts</i>	<u>2,728,627</u>	<u>2,049,633</u>	<u>3,686,072</u>	<u>3,760,973</u>	<u>6,414,699</u>	<u>5,810,606</u>
General Receipts:						
Property Taxes	372,774	365,213	0	0	372,774	365,213
Income Taxes	1,615,675	1,654,716	0	0	1,615,675	1,654,716
Franchise Fees	66,013	63,769	0	0	66,013	63,769
Grants and Entitlements	79,578	78,317	0	0	79,578	78,317
Investment Earnings	8,131	6,823	377	0	8,508	6,823
Proceeds from Sale of Capital Assets	17,001	27,000	0	0	17,001	27,000
Proceeds of Interfund Activity	0	43,332	0	0	0	43,332
Proceeds from Sale of BAN	988,233	100,000	0	0	988,233	100,000
Donations and Contributions	2,100	2,200	0	0	2,100	2,200
Loan Proceeds	0	0	4,762,914	2,236,369	4,762,914	2,236,369
Miscellaneous	55,206	203,856	32,698	35,649	87,904	239,505
<i>Total General Receipts</i>	<u>3,204,711</u>	<u>2,545,226</u>	<u>4,795,989</u>	<u>2,272,018</u>	<u>8,000,700</u>	<u>4,817,244</u>
Total Receipts	<u>5,933,338</u>	<u>4,594,859</u>	<u>8,482,061</u>	<u>6,032,991</u>	<u>14,415,399</u>	<u>10,627,850</u>
Disbursements						
General Government	1,224,203	1,169,726	0	0	1,224,203	1,169,726
General Government - Court	664,738	527,702	0	0	664,738	527,702
Security of Persons and Property:						
Police	1,183,461	1,200,375	0	0	1,183,461	1,200,375
Fire	229,774	242,027	0	0	229,774	242,027
Public Health Services	93,474	111,240	0	0	93,474	111,240
Community Environment	86,057	101,212	0	0	86,057	101,212
Transportation	275,509	327,968	0	0	275,509	327,968
Leisure Time Activities	210,968	231,037	0	0	210,968	231,037
Capital Outlay	975,204	415,052	0	0	975,204	415,052
Debt Service:						
Principal Retirement	929,008	235,013	0	0	929,008	235,013
Interest and Fiscal Charges	131,475	133,343	0	0	131,475	133,343
Water	0	0	1,518,506	1,536,360	1,518,506	1,536,360
Sewer	0	0	6,877,323	4,029,633	6,877,323	4,029,633
<i>Total Disbursements</i>	<u>6,003,871</u>	<u>4,694,695</u>	<u>8,395,829</u>	<u>5,565,993</u>	<u>14,399,700</u>	<u>10,260,688</u>
<i>Increase (Decrease) before</i>						
<i>Interfund Activity</i>	(70,533)	(99,836)	86,232	466,998	15,699	367,162
<i>Repayment of Interfund Activity</i>	(43,332)	0	0	0	(43,332)	0
Change in Net Position	<u>(113,865)</u>	<u>(99,836)</u>	<u>86,232</u>	<u>466,998</u>	<u>(27,633)</u>	<u>367,162</u>
<i>Net Position Beginning of Year - Restated</i>	<u>1,114,194</u>	<u>1,214,030</u>	<u>1,318,305</u>	<u>851,307</u>	<u>2,432,499</u>	<u>2,065,337</u>
<i>Net Position End of Year</i>	<u>\$1,000,329</u>	<u>\$1,114,194</u>	<u>\$1,404,537</u>	<u>\$1,318,305</u>	<u>\$2,404,866</u>	<u>\$2,432,499</u>

Village of the City of Gallipolis, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2016
Unaudited

Governmental Activities

For 2016, program receipts represent \$2,728,627 or 46.0 percent of total receipts and are primarily composed of charges for services such as code enforcement, cemetery, and recreation fees, court fines, and police and fire contracts, capital grants used for capital improvement projects, and restricted intergovernmental receipts such as motor vehicle license and gas tax money.

General receipts represent \$3,204,711, or 54.0 percent of the Village's total receipts, and of this amount, \$1,988,449, or 62.0 percent are derived from local taxes. The Village's total general revenue receipts increased \$786,773 from 2015 due mostly to an increase in proceeds from the sale of bond anticipation notes.

The Village continued to work very hard to increase the income tax base by being proactive with new businesses and continued to strive to provide better service to the taxpayers at the lowest cost possible.

General government and security of persons and property are the major activities of the Village, representing 43.9 percent of the governmental disbursements in 2016, a decrease in percentage from the prior year. During 2016, disbursements for these operations amounted to \$1,224,203 and \$1,413,235, respectively. These activities are, for the most part, funded by the municipal income tax. The Village attempted to supplement the income and activities of the police and fire departments through grant funding to enable the departments to widen the scope of their activities. The police and fire departments and their employees continued to work hand-in-hand with the Village to help reduce the costs to the taxpayer.

Capital outlay activities of the Village accounted for 16.2 percent of governmental disbursements. Capital outlay increased \$560,152 from the prior year. The primary cause of this increase is due to the purchase and development of a parking lot, and the Riverfront Access Improvement project.

Court operations, public health services, park operations, community environment, transportation, and debt service account for the remaining 39.9 percent of governmental disbursements in 2016.

Business-Type Activities

The Village's water and sewer operations account for the disbursements for the Village's business-type activities and are funded almost entirely from charges for services. During 2016, program disbursements exceeded program receipts by \$4,709,757 for all business-type activities due in large part to improvements at the water pollution control facility.

If you look at the Statement of Activities, you will see the first column lists the major services provided by the Village. The next column identifies the costs of providing these services. The next two columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Village that must be used to provide a specific service. The net Disbursements (Receipts) column compares the program receipts to the cost of the service. The "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

Village of the City of Gallipolis, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2016
Unaudited

(Table 3)

	Governmental Activities			
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2016	2016	2015	2015
General Government	\$1,224,203	\$578,186	\$1,169,726	\$594,607
General Government - Court	664,738	(61,503)	527,702	(213,319)
Security of Persons and Property:				
Police	1,183,461	1,126,741	1,200,375	1,142,743
Fire	229,774	93,216	242,027	108,718
Public Health Services	93,474	56,206	111,240	72,644
Community Environment	86,057	60,025	101,212	56,076
Transportation	275,509	(64,047)	327,968	(23,280)
Leisure Time Activities	210,968	(549,267)	231,037	123,465
Capital Outlay	975,204	975,204	415,052	415,052
Debt Service:				
Principal Retirement	929,008	929,008	235,013	235,013
Interest and Fiscal Charges	131,475	131,475	133,343	133,343
<i>Total</i>	<u>\$6,003,871</u>	<u>\$3,275,244</u>	<u>\$4,694,695</u>	<u>\$2,645,062</u>

The dependence upon property and income tax receipts is apparent as approximately 54.5 percent of governmental activities are supported through these and other general receipts.

THE VILLAGE'S FUNDS

The Village's governmental funds are accounted for using the cash basis of accounting. In 2016, governmental funds had total receipts of \$4,928,104 and disbursements of \$6,002,196.

The General Fund is the primary operating fund of the Village. At the end of 2016, the unassigned fund balance was \$211,589, while total fund balance was \$242,295. As a measure of the General Fund's liquidity, it may be useful to compare both the unassigned fund balance and total fund balance to total fund disbursements. Unassigned fund balance represents 8.0 percent to total General Fund disbursements, while total fund balance represents 9.2 percent of that same amount. The Village's General Fund balance decreased \$37,604 during 2016.

At the end of 2016, the Bond and Note Retirement Debt Service Fund had a fund balance of \$0, which is the same as 2015. This is due to all receipts consisting of transfers which are immediately used to make debt payments from the fund.

At the end of 2016, the Court Capital Improvement Capital Projects Fund had a fund balance of \$167,801, a decrease of \$9,498 from 2015.

At the end of 2016, the ODNR Capital Improvement Capital Projects Fund had a fund balance of \$21,050. This is an increase of \$8,900 in the fund balance of \$12,150 at the end of 2015.

The net position of the Water Enterprise Fund increased \$246,540 in 2016, largely due to decreases in debt service payments. This decrease in debt service payments is due to the Water Enterprise Fund retiring the fund's portion of a loan during 2015.

Village of the City of Gallipolis, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2016
Unaudited

The net position of the Sewer Enterprise Fund decreased \$159,267 in 2016 due to increases in debt service payments and capital outlay disbursements related to the Water Pollution Control Facility Improvement project. The increases in disbursements were partially offset by an increase in loan proceeds associated with the project.

General Fund Budgeting Highlights

The Village's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During 2016, the Village amended the General Fund budget several times. Budget basis receipts were \$2,807,295, \$5,499 above final estimates of \$2,801,796. Final estimated receipts were increased \$110,475 from the original of \$2,691,321. Disbursements of \$2,659,288 were lower than final appropriations of \$2,806,329. Final appropriations were increased \$166,982 from originals.

All recommendations for budget change came from the Village Manager and Village Auditor to the Commission for review and Ordinance enactment on the change. The allocation of appropriations within the departments and objects within a fund, with the exception of employee salaries, may be modified during the year, as requested by the department supervisors and approved by the Village Manager, by the Village Auditor without an ordinance of Commission. With the General Fund supporting many of the major activities such as police and fire departments, as well as most legislative and executive activities, the General Fund was monitored closely, looking for possible revenue shortfalls or overspending by individual departments.

DEBT ADMINISTRATION

The Village had the following debt outstanding at each year end:

(Table 4)

Outstanding Debt at December 31, 2016 and 2015

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Bond Anticipation Notes	\$660,996	\$543,579	\$0	\$0	\$732,947	\$543,579
Loans	0	0	8,495,846	4,100,426	8,495,846	4,100,426
General Obligation Bonds	2,685,320	2,743,512	0	0	2,613,369	2,743,512
Capital Leases	122,587	198,142	44,515	69,193	167,102	267,335
<i>Totals</i>	<u>\$3,468,903</u>	<u>\$3,485,233</u>	<u>\$8,540,361</u>	<u>\$4,169,619</u>	<u>\$12,009,264</u>	<u>\$7,654,852</u>

For additional information on the Village's debt, see Notes 14 and 15 to the basic financial statements.

Village of the City of Gallipolis, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2016
Unaudited

CURRENT ISSUES

As the preceding information shows, the Village depended heavily on its taxpayers and on grants and entitlements. The Village tightened non-capital related spending to better bring expenses in line with revenues and carefully watched financial planning in order for the Village to remain on firm financial footing.

CONTACTING THE VILLAGE AUDITOR'S DEPARTMENT

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Village's finances and to show the Village's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Annette Landers, Village Auditor, P.O Box 339, Gallipolis, Ohio 45631.

This page intentionally left blank.

Village of the City of Gallipolis, Ohio
Statement of Net Position - Cash Basis
December 31, 2016

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$998,855	\$1,401,530	\$2,400,385
Cash in Segregated Accounts	4,481	0	4,481
Internal Balances	(3,007)	3,007	0
<i>Total Assets</i>	<u>\$1,000,329</u>	<u>\$1,404,537</u>	<u>\$2,404,866</u>
Net Position			
Restricted for:			
Street	\$85,978	\$0	\$85,978
Police	55,606	0	55,606
Fire	38,820	0	38,820
Cemeteries	13,056	0	13,056
Recreation	68,734	0	68,734
Court	414,788	0	414,788
Unclaimed Monies	8,058	0	8,058
Perpetual Care - Nonexpendable	27,442	0	27,442
Other Purposes	5,086	0	5,086
Unrestricted	<u>282,761</u>	<u>1,404,537</u>	<u>1,687,298</u>
<i>Total Net Position</i>	<u>\$1,000,329</u>	<u>\$1,404,537</u>	<u>\$2,404,866</u>

See accompanying notes to the basic financial statements.

Village of the City of Gallipolis, Ohio
Statement of Activities - Cash Basis
For the Year Ended December 31, 2016

	Disbursements	Program Receipts			Net (Disbursements) Receipts and Changes in Net Position		
		Charges for Services	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
General Government	\$1,224,203	\$518,124	\$127,893	\$0	(\$578,186)	\$0	(\$578,186)
General Government - Court	664,738	680,566	45,675	0	61,503	0	61,503
Security of Persons and Property:							
Police	1,183,461	52,148	4,572	0	(1,126,741)	0	(1,126,741)
Fire	229,774	125,117	11,441	0	(93,216)	0	(93,216)
Public Health Services	93,474	37,175	93	0	(56,206)	0	(56,206)
Community Environment	86,057	23,495	2,537	0	(60,025)	0	(60,025)
Transportation	275,509	116,609	151,731	71,216	64,047	0	64,047
Leisure Time Activities	210,968	82,293	31,791	646,151	549,267	0	549,267
Capital Outlay	975,204	0	0	0	(975,204)	0	(975,204)
Debt Service:							
Principal Retirement	929,008	0	0	0	(929,008)	0	(929,008)
Interest and Fiscal Charges	131,475	0	0	0	(131,475)	0	(131,475)
<i>Total Governmental Activities</i>	<u>6,003,871</u>	<u>1,635,527</u>	<u>375,733</u>	<u>717,367</u>	<u>(3,275,244)</u>	<u>0</u>	<u>(3,275,244)</u>
Business-Type Activities							
Water	1,518,506	1,743,728	0	0	0	225,222	225,222
Sewer	6,877,323	1,580,141	0	362,203	0	(4,934,979)	(4,934,979)
<i>Total Business-Type Activities</i>	<u>8,395,829</u>	<u>3,323,869</u>	<u>0</u>	<u>362,203</u>	<u>0</u>	<u>(4,709,757)</u>	<u>(4,709,757)</u>
<i>Total</i>	<u>\$14,399,700</u>	<u>\$4,959,396</u>	<u>\$375,733</u>	<u>\$1,079,570</u>	<u>(3,275,244)</u>	<u>(4,709,757)</u>	<u>(7,985,001)</u>
General Receipts							
Property Taxes Levied for:							
General Purposes					247,478	0	247,478
Fire					125,296	0	125,296
Income Taxes Levied for General Purposes					1,615,675	0	1,615,675
Franchise Fees					66,013	0	66,013
Grants and Entitlements not Restricted to Specific Programs					79,578	0	79,578
Investment Earnings					8,131	377	8,508
Proceeds from Sale of Capital Assets					17,001	0	17,001
Proceeds from Sale of Bond Anticipation Notes					988,233	0	988,233
Donations					2,100	0	2,100
Loan Proceeds					0	4,762,914	4,762,914
Miscellaneous					55,206	32,698	87,904
<i>Total General Receipts</i>					<u>3,204,711</u>	<u>4,795,989</u>	<u>8,000,700</u>
Repayment of Interfund Activity					(43,332)	0	(43,332)
<i>Total General Receipts and Interfund Activity</i>					<u>3,161,379</u>	<u>4,795,989</u>	<u>7,957,368</u>
Change in Net Position					(113,865)	86,232	(27,633)
<i>Net Position Beginning of Year - Restated (See Note 3)</i>					<u>1,114,194</u>	<u>1,318,305</u>	<u>2,432,499</u>
<i>Net Position End of Year</i>					<u>\$1,000,329</u>	<u>\$1,404,537</u>	<u>\$2,404,866</u>

See accompanying notes to the basic financial statements.

Village of the City of Gallipolis, Ohio
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2016

	General	Court Capital Improvement	ODNR Capital Improvement	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$234,237	\$167,801	\$21,050	\$567,709	\$990,797
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	8,058	0	0	0	8,058
<i>Total Assets</i>	\$242,295	\$167,801	\$21,050	\$567,709	\$998,855
Fund Balances					
Nonspendable	\$8,058	\$0	\$0	\$27,442	\$35,500
Restricted	0	167,801	21,050	493,217	682,068
Committed	0	0	0	47,050	47,050
Assigned	22,648	0	0	0	22,648
Unassigned	211,589	0	0	0	211,589
<i>Total Fund Balances</i>	\$242,295	\$167,801	\$21,050	\$567,709	998,855

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

An internal service fund is used by management to charge the costs of insurance to individual funds. The assets of the internal fund are included in governmental activities in the statement of net position.

1,474

Net Position of Governmental Activities

\$1,000,329

See accompanying notes to the basic financial statements.

Village of the City of Gallipolis, Ohio
Statement of Cash Receipts, Disbursements, and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2016

	General	Bond and Note Retirement	Court Capital Improvement	ODNR Capital Improvement	Other Governmental Funds	Total Governmental Funds
Receipts						
Property and Other Local Taxes	\$247,478	\$0	\$0	\$0	\$125,296	\$372,774
Municipal Income Taxes	1,615,675	0	0	0	0	1,615,675
Permissive Motor Vehicle License Taxes	0	0	0	0	62,647	62,647
Charges for Services	348,411	0	0	0	491,755	840,166
Fines, Licenses, and Permits	401,111	0	168,332	0	163,271	732,714
Franchise Fees	66,013	0	0	0	0	66,013
Intergovernmental	79,578	0	0	646,151	407,711	1,133,440
Investment Earnings	8,131	0	0	0	338	8,469
Donations	2,100	0	0	0	38,900	41,000
Miscellaneous	38,816	0	0	1,050	15,340	55,206
<i>Total Receipts</i>	<u>2,807,313</u>	<u>0</u>	<u>168,332</u>	<u>647,201</u>	<u>1,305,258</u>	<u>4,928,104</u>
Disbursements						
Current:						
General Government	765,694	0	0	0	458,039	1,223,733
General Government - Court	317,776	0	109,452	0	237,184	664,412
Security of Persons and Property:						
Police	1,146,054	0	0	0	36,758	1,182,812
Fire	177,615	0	0	0	52,109	229,724
Public Health Services	3,361	0	0	0	90,063	93,424
Community Environment	85,975	0	0	0	0	85,975
Transportation	63,649	0	0	0	211,822	275,471
Leisure Time Activities	65,892	0	0	0	145,066	210,958
Capital Outlay	10,624	0	15,535	912,718	36,327	975,204
Debt Service:						
Principal Retirement	0	929,008	0	0	0	929,008
Interest and Fiscal Charges	0	131,475	0	0	0	131,475
<i>Total Disbursements</i>	<u>2,636,640</u>	<u>1,060,483</u>	<u>124,987</u>	<u>912,718</u>	<u>1,267,368</u>	<u>6,002,196</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>170,673</u>	<u>(1,060,483)</u>	<u>43,345</u>	<u>(265,517)</u>	<u>37,890</u>	<u>(1,074,092)</u>
Other Financing Sources (Uses)						
Proceeds from Sale of Capital Assts	17,001	0	0	0	0	17,001
Repayment of Interfund Activity	0	0	0	0	(43,332)	(43,332)
Proceeds from Sale of Bond Anticipation Notes	80,000	0	0	908,233	0	988,233
Advances In	0	0	0	0	2,500	2,500
Advances Out	0	0	(2,500)	0	0	(2,500)
Transfers In	0	1,060,483	42,000	0	138,713	1,241,196
Transfers Out	(305,278)	0	(92,343)	(633,816)	(209,759)	(1,241,196)
<i>Total Other Financing Sources (Uses)</i>	<u>(208,277)</u>	<u>1,060,483</u>	<u>(52,843)</u>	<u>274,417</u>	<u>(111,878)</u>	<u>961,902</u>
<i>Net Change in Fund Balances</i>	<u>(37,604)</u>	<u>0</u>	<u>(9,498)</u>	<u>8,900</u>	<u>(73,988)</u>	<u>(112,190)</u>
<i>Fund Balances Beginning of Year - Restated (See Note 3)</i>	<u>279,899</u>	<u>0</u>	<u>177,299</u>	<u>12,150</u>	<u>641,697</u>	<u>1,111,045</u>
<i>Fund Balances End of Year</i>	<u>\$242,295</u>	<u>\$0</u>	<u>\$167,801</u>	<u>\$21,050</u>	<u>\$567,709</u>	<u>998,855</u>

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

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 receipts are eliminated. The net receipts (disbursements) of the internal service fund is allocated among the governmental activities.

(1,675)

Change in Net Position of Governmental Activities

(\$113,865)

See accompanying notes to the basic financial statements.

Village of the City of Gallipolis, Ohio
*Statement of Receipts, Disbursements, and Changes
in Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Year Ended December 31, 2016*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Over (Under)
Receipts				
Property and Other Taxes	\$249,293	\$247,478	\$247,478	\$0
Municipal Income Taxes	1,550,000	1,610,135	1,615,675	5,540
Charges for Services	340,470	348,452	348,411	(41)
Fines, Licenses, and Permits	372,660	401,111	401,111	0
Franchise Fees	63,768	66,013	66,013	0
Intergovernmental	57,130	79,578	79,578	0
Investment Earnings	5,500	8,113	8,113	0
Donations	2,000	2,100	2,100	0
Miscellaneous	50,500	38,816	38,816	0
<i>Total Receipts</i>	<u>2,691,321</u>	<u>2,801,796</u>	<u>2,807,295</u>	<u>5,499</u>
Disbursements				
Current:				
General Government	765,365	804,847	769,465	35,382
General Government - Court	368,895	333,925	317,776	16,149
Security of Persons and Property:				
Police	1,040,449	1,194,855	1,158,568	36,287
Fire	210,572	201,714	183,273	18,441
Public Health Services	5,575	20,575	3,361	17,214
Community Environment	86,738	88,012	86,215	1,797
Transportation	65,000	65,000	63,649	1,351
Leisure Time Activities	86,192	86,449	66,357	20,092
Capital Outlay	10,561	10,952	10,624	328
<i>Total Disbursements</i>	<u>2,639,347</u>	<u>2,806,329</u>	<u>2,659,288</u>	<u>147,041</u>
<i>Excess of Receipts Over (Under)</i>				
<i>Disbursements</i>	<u>51,974</u>	<u>(4,533)</u>	<u>148,007</u>	<u>152,540</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	17,000	17,001	17,001	0
Proceeds from Sale of Bond Anticipation Notes	80,000	80,000	80,000	0
Advances In	41,565	20,000	0	(20,000)
Transfers Out	(324,843)	(305,278)	(305,278)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(186,278)</u>	<u>(188,277)</u>	<u>(208,277)</u>	<u>(20,000)</u>
<i>Net Change in Fund Balance</i>	(134,304)	(192,810)	(60,270)	132,540
<i>Fund Balance Beginning of Year - Restated (See Note 3)</i>	257,035	257,035	257,035	0
Prior Year Encumbrances Appropriated	22,240	22,240	22,240	0
<i>Fund Balance End of Year</i>	<u>\$144,971</u>	<u>\$86,465</u>	<u>\$219,005</u>	<u>\$132,540</u>

See accompanying notes to the basic financial statements.

Village of the City of Gallipolis, Ohio
Statement of Fund Net Position - Cash Basis
Proprietary Funds
December 31, 2016

	Business-Type Activities			Governmental Activities
	Water Fund	Sewer Fund	Total Enterprise Funds	Internal Service Fund
Assets				
Current Assets:				
Equity in Pooled Cash and Cash Equivalents	\$796,896	\$604,634	\$1,401,530	\$0
Cash in Segregated Accounts	0	0	0	4,481
<i>Total Assets</i>	<u>\$796,896</u>	<u>\$604,634</u>	<u>\$1,401,530</u>	<u>\$4,481</u>
Net Position				
Unrestricted	<u>\$796,896</u>	<u>\$604,634</u>	1,401,530	<u>\$4,481</u>

Some amounts reported for business-type activities in the statement of net position are different because internal service fund activity is included with business-type activities.

Net position of business-type activities	<u>3,007</u>
	<u>\$1,404,537</u>

See accompanying notes to the basic financial statements.

Village of the City of Gallipolis, Ohio
*Statement of Cash Receipts, Disbursements,
and Changes in Fund Net Position*
Proprietary Funds
For the Year Ended December 31, 2016

	Business-Type Activities			Governmental
	Water Fund	Sewer Fund	Total Enterprise Funds	Internal Service Fund
Operating Receipts				
Charges for Services	\$1,719,978	\$1,580,141	\$3,300,119	\$168,914
Other Operating Receipts	20,418	12,280	32,698	0
<i>Total Operating Receipts</i>	<u>1,740,396</u>	<u>1,592,421</u>	<u>3,332,817</u>	<u>168,914</u>
Operating Disbursements				
Salaries and Benefits	735,713	659,517	1,395,230	0
Contractual Services	299,274	644,717	943,991	171,630
Materials and Supplies	118,471	91,291	209,762	0
<i>Total Operating Disbursements</i>	<u>1,153,458</u>	<u>1,395,525</u>	<u>2,548,983</u>	<u>171,630</u>
<i>Operating Income (Loss)</i>	<u>586,938</u>	<u>196,896</u>	<u>783,834</u>	<u>(2,716)</u>
Non-Operating Receipts (Disbursements)				
Investment Earnings	377	0	377	0
Capital Outlay	(326,642)	(5,031,231)	(5,357,873)	0
Loan Proceeds	0	4,762,914	4,762,914	0
Capital Grants	0	362,203	362,203	0
Customer Deposits Received	23,750	0	23,750	0
Customer Deposits Returned	(37,159)	0	(37,159)	0
Debt Service Principal	(724)	(366,770)	(367,494)	0
Interest and Fiscal Charges	0	(83,279)	(83,279)	0
<i>Total Non Operating Receipts (Disbursements)</i>	<u>(340,398)</u>	<u>(356,163)</u>	<u>(696,561)</u>	<u>0</u>
<i>Change in Net Position</i>	246,540	(159,267)	87,273	(2,716)
<i>Net Position Beginning of Year - Restated (See Note 3)</i>	<u>550,356</u>	<u>763,901</u>		<u>7,197</u>
<i>Net Position End of Year</i>	<u>\$796,896</u>	<u>\$604,634</u>		<u>\$4,481</u>

Some amounts reported for business-type activities in the statement of activities are different because the net disbursements of the internal service fund is reported with business-type activities.

Change in net position of business-type activities

(1,041)

\$86,232

See accompanying notes to the basic financial statements.

Village of the City of Gallipolis, Ohio
Statement of Net Position - Cash Basis
Municipal Court Agency Fund
December 31, 2016

Assets

Cash and Cash Equivalents in Segregated Accounts	<u><u>\$272,079</u></u>
--	-------------------------

Net Position

Restricted for Others	<u><u>\$272,079</u></u>
-----------------------	-------------------------

See accompanying notes to the basic financial statements.

Village of the City of Gallipolis, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2016

Note 1 - Description of the Village and the Reporting Entity

The Village of the City of Gallipolis, Ohio (the Village), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio, as well as an adopted Village charter. The Village is directed by a five-member Commission elected at large for four year terms and a Village Manager appointed by the Commission.

Reporting Entity

The financial reporting entity consists of the primary government, component units, and other governmental organizations that are included to ensure the financial statements are not misleading. The primary government of the Village consists of all funds, departments, boards, and agencies that are not legally separate from the Village. For the Village, this includes the departments that provide various services including police and fire protection, recreation (including parks), planning and zoning, street maintenance and repair, water and water pollution control, and general administrative services. These activities are directly controlled by the Commission through the budgetary process and by the Village Auditor and the Village Manager through administrative and managerial requirements and procedures.

Component units are legally separate organizations for which the Village is financially accountable. The Village is financially accountable for an organization if the Village appoints a voting majority of the organization's governing board and (1) the Village is able to significantly influence the programs or services performed or provided by the organization; or (2) the Village is legally entitled to or can otherwise access the organization's resources; the Village is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Village is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent upon the Village in that the Village approves the budget, the issuance of debt, or the levying of taxes, and there is a potential for the organization to provide specific financial benefit to, or impose specific financial burdens on, the primary government. No separate government units meet the criteria for inclusion as a component unit.

The Village is associated with the Gallia Metropolitan Housing Authority, an organization that is defined as a related organization. This organization is presented in Note 16 to the basic financial statements.

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

Note 2 - Summary of Significant Accounting Policies

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. The cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). General accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the Village's accounting policies.

A. Basis of Presentation

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

Village of the City of Gallipolis, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2016

Government-wide Financial Statements The statement of net position and the statement of activities display information about the Village as a whole. These statements include the financial activities of the primary government, except for the fiduciary funds. The statements distinguish between those activities that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts, or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of net position presents the cash balances of the governmental and business-type activities of the Village at year end. The statement of activities compares disbursements with program receipts for each of the Village's governmental and business-type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Village is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function or business-type activity is self-financing on a cash basis or draws from the Village's general receipts.

Fund Financial Statements During the year, the Village segregates transactions related to certain Village 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 Village at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

Proprietary fund statements distinguish operating transactions from nonoperating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the fund's principal services. Operating disbursements include costs of sales and services and administrative costs. The proprietary fund statements report all other receipts and disbursements as nonoperating.

B. Fund Accounting

The Village uses fund accounting 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. There are three categories of funds utilized by the Village: 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. The following are the Village's major governmental funds:

General Fund The General Fund accounts for and reports all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the Village for any purpose, provided it is expended and transferred according to the general laws of Ohio.

Bond and Note Retirement Debt Service Fund This fund accounts for and reports the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related costs.

Court Capital Improvement Capital Projects Fund This fund was established per ORC 1901.26 for additional funds necessary to acquire and pay for special projects of the Court including the acquisition of additional facilities.

Village of the City of Gallipolis, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2016

Ohio Department of Natural Resources (ODNR) Capital Improvement Capital Projects Fund

This fund was established per ORC 1901.26 for additional funds necessary to acquire and pay for Riverfront Improvement project which is funded through grants and the proceeds of bond anticipation notes.

The other governmental funds of the Village account for grants and other resources whose use is restricted or committed to a particular purpose.

Proprietary Funds The Village classifies funds financed primarily from user charges for goods or services as proprietary. The Village's proprietary funds are all classified as enterprise funds and an internal service fund. Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. All of the Village's enterprise funds are major funds.

Water Enterprise Fund The Water Fund is used to account for the revenues generated from the charges for distribution of water to residential and commercial users of the Village.

Sewer Enterprise Fund The Sewer Fund is used to account for the revenues generated from the charges for sanitary sewer services provided to residential and commercial users of the Village.

Internal Service Fund The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the Village on a cost reimbursement basis. The Village's only internal service fund accounts for the operation of the Village's self-insurance program for employee medical reimbursement program.

Fiduciary Funds Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the Village under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the Village's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

The Village's fiduciary funds are all classified as agency funds. The Village's agency funds account for assets held by the Village as agent for the Digital River Project, fire loss recovery activities, and municipal court collections that are distributed to the State and various local governments. The Municipal Court Agency Fund is the only fiduciary fund presented in the financial statements since it is the only fiduciary fund that has a balance at year end.

C. Basis of Accounting

The Village's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Village's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Village are described in the appropriate section in this note.

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

Village of the City of Gallipolis, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2016

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Village Commission may appropriate. The appropriation resolution is the Village Commission's authorization to spend resources and set annual limits on cash disbursements plus encumbrances at a level of control selected by the Village Commission. The legal level of control has been established by the Village Commission at the fund and function level for all funds.

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

The appropriation resolution is subject to amendment throughout the year with the restriction that appropriations may not exceed estimated resources. The amounts reported as the original budgeted amounts in the budgetary statements reflect the first appropriation for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as final budgeted amounts represent the final appropriation amounts passed by the Village Commission during the year.

E. Cash and Cash Equivalents

To improve cash management, cash received by the Village is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through Village records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents."

The Village has segregated bank accounts for monies held separate from the Village's pooled accounts. These depository accounts are presented as "Cash in Segregated Accounts" since they are not deposited into the Village's treasury.

The Village had no investments during the year or at year end.

Interest earnings are allocated to Village funds according to State statutes, grants requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2016 amounted to \$8,131, which includes \$7,312 assigned from other Village funds.

F. Restricted Assets

Cash and cash equivalents are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either externally imposed by the creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation. Unclaimed monies that are required to be held for five years before they may be utilized by the Village are reported as restricted.

G. Inventory and Prepaid Items

The Village reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

Village of the City of Gallipolis, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2016

H. Capital Assets

Acquisitions of property, plant, and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

I. Interfund Receivables/Payables

The Village reports advances in and advances out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

J. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's cash basis of accounting.

K. Employer Contributions to Cost-Sharing Pension Plans

The Village recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 11 and 12, the employer contributions include portions for pension benefits and for postretirement health care benefits.

L. Long-Term Obligations

The Village's cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid.

M. Net Position

Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes includes activities involving the Victim's of Crime Act (VOCA) Grant.

The Village's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

N. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The "not in spendable form" includes items that are not expected to be converted to cash.

Village of the City of Gallipolis, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2016

Restricted Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Village Commissioners. Those committed amounts cannot be used for any other purpose unless the Commission removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned Amounts in the assigned fund balance classification are intended to be used by the Village for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Village Commissioners or a Village official delegated that authority by resolution or by State Statute.

Unassigned Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first, followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

O. Interfund Transactions

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. Transfers between governmental activities are eliminated. Internal allocations of overhead expenses from one program to another or within the same program are eliminated on the Statement of Activities. Payments of interfund services provided and used are not eliminated.

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies 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 receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

Village of the City of Gallipolis, Ohio

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2016*

Note 3 - Restatement of Prior Year Balances

During 2016, the Village made an adjustment to the General Fund and the Water and Sewer Enterprise Funds regarding the allocation of disbursements associated with the purchase of the municipal building which was completed in 2013. The allocation of disbursements is based on payroll amounts, which changed when the municipal building was first put in use. This change in allocation resulted in the following restatements for the year ended December 31, 2015. The Restatement is as follows:

Governmental Activities:

	<u>Restricted</u>	<u>Unrestricted</u>	<u>Total</u>
Net Position at			
December 31, 2015	\$801,042	\$185,864	\$986,906
Restatements	0	127,288	127,288
Adjusted Net Position at			
December 31, 2015	<u>\$801,042</u>	<u>\$313,152</u>	<u>\$1,114,194</u>

Business-Type Activities:

	<u>Restricted</u>	<u>Unrestricted</u>	<u>Total</u>
Net Position at			
December 31, 2015	\$0	\$1,445,593	\$1,445,593
Restatements	0	(127,288)	(127,288)
Adjusted Net Position at			
December 31, 2015	<u>\$0</u>	<u>\$1,318,305</u>	<u>\$1,318,305</u>

General Fund:

	<u>Nonspendable</u>	<u>Assigned</u>	<u>Unassigned</u>	<u>Total</u>	<u>Budgetary Balance</u>
Fund Balance at					
December 31, 2015	\$8,379	\$135,118	\$9,114	\$152,611	\$129,747
Restatements	0	0	127,288	127,288	127,288
Adjusted Fund Balance at					
December 31, 2015	<u>\$8,379</u>	<u>\$135,118</u>	<u>\$136,402</u>	<u>\$279,899</u>	<u>\$257,035</u>

Business-Type Funds:

	<u>Water</u>	<u>Sewer</u>	<u>Total Business-Type</u>
Fund Balance at			
December 31, 2015	\$599,557	\$841,988	\$1,441,545
Restatements	(49,201)	(78,087)	(127,288)
Adjusted Fund Balance at			
December 31, 2015	<u>\$550,356</u>	<u>\$763,901</u>	<u>\$1,314,257</u>

Village of the City of Gallipolis, Ohio

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2016*

Note 4 - Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – Budget Basis presented for the General Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis are as follows:

1. Outstanding year end encumbrances are treated as expenditures (budgetary basis) rather than restricted, committed, or assigned fund balance (cash basis).
2. Unreported interest is reported on the statement of modified receipts, disbursements, and changes in fund balances (cash basis), but not on the budgetary basis.

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

Cash Basis	(\$37,604)
Unreported Interest:	
Beginning of Year	624
End of Year	(642)
Encumbrances	<u>(22,648)</u>
Budget Basis	<u><u>(\$60,270)</u></u>

Note 5 - Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the Village is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds for 2016 are presented below:

Village of the City of Gallipolis, Ohio

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2016*

Fund Balances	General	Court Capital Improvement	ODNR Capital Improvement	Other Governmental	Total
Nonspendable:					
Unclaimed Monies	\$8,058	\$0	\$0	\$0	\$8,058
Cemetery Endowments	0	0	0	27,442	27,442
<i>Total Nonspendable</i>	<u>8,058</u>	<u>0</u>	<u>0</u>	<u>27,442</u>	<u>35,500</u>
Restricted for:					
Street Improvements	0	0	0	85,978	85,978
Fire Protection	0	0	0	38,820	38,820
Law Enforcement	0	0	0	55,606	55,606
Cemeteries	0	0	0	13,056	13,056
Recreation	0	0	21,050	47,684	68,734
Court Operations	0	0	0	246,987	246,987
Court Improvements	0	167,801	0	0	167,801
Other Purposes	0	0	0	5,086	5,086
<i>Total Restricted</i>	<u>0</u>	<u>167,801</u>	<u>21,050</u>	<u>493,217</u>	<u>682,068</u>
Committed for:					
Recreation	0	0	0	5,477	5,477
Sanitation	0	0	0	30,674	30,674
Community Environment	0	0	0	10,899	10,899
<i>Total Committed</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>47,050</u>	<u>47,050</u>
Assigned to:					
Purchases on Order	22,648	0	0	0	22,648
Unassigned:					
	211,589	0	0	0	211,589
<i>Total Fund Balances</i>	<u>\$242,295</u>	<u>\$167,801</u>	<u>\$21,050</u>	<u>\$567,709</u>	<u>\$998,855</u>

Note 6 - Deposits and Investments

Monies held by the Village are classified by State statute into three categories.

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

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

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

Village of the City of Gallipolis, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2016

Interim monies held by the Village can 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 obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debenture, 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, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio, and with certain limitation bonds and other obligations of political subdivisions of the State of Ohio;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met; and
8. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. Investments may only be made through specified dealers and institutions.

Deposits Custodial credit risk for deposits is the risk that in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. At December 31, 2016, \$2,243,777 of the Village's bank balance of \$2,743,783 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the Village to a successful claim by the FDIC.

The Village has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Village or a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Village of the City of Gallipolis, Ohio

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2016*

Note 7 - Income Taxes

The Village levies a one percent income tax whose proceeds are placed into General Fund. The Village levies and collects the tax on all income earned within the Village as well as on incomes of residents earned outside of the Village. In the latter case, the Village allows a credit for income taxes paid to another municipality up to the full amount of the tax owed. Employers within the Village are required to withhold income tax on employee earnings and remit the tax to the Village at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return with the Village.

Note 8 - Property Taxes

Property taxes include amounts levied against all real and public utility property located in the Village. Property tax revenue received during 2016 for real and public utility property taxes represents collections of 2015 taxes.

2016 real property taxes were levied after October 1, 2016, on the assessed value as of January 1, 2016, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2016 real property taxes are collected in and intended to finance 2017.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2016 public utility property taxes which became a lien December 31, 2015, are levied after October 1, 2016, and are collected in 2017 with real property taxes.

The full tax rate for all Village operations for the year ended December 31, 2016, was \$3.90 per \$1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2016 property tax receipts were based are as follows:

Real Property:	
Residential and Agricultural	\$41,942,380
Commercial/Industrial/Mineral	32,744,400
Public Utility Personal Property	3,779,720
Other	231,997
Total Assessed Value	<u><u>\$78,698,497</u></u>

Village of the City of Gallipolis, Ohio

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2016*

Note 9 - Interfund Receivables/Payables

A. Transfers

During 2016, the following transfers were made:

Transfer to	Transfer from				Total
	Major Funds			Other Nonmajor Governmental	
	General	Court Capital Improvement	ODNR Capital Improvement		
Major Funds:					
Bond and Note					
Retirement Fund	\$205,008	\$75,000	\$633,816	\$146,659	\$1,060,483
Court Capital					
Improvement Fund	0	0	0	42,000	42,000
Other Nonmajor					
Governmental Funds	100,270	17,343	0	21,100	138,713
Total all Funds	\$305,278	\$92,343	\$633,816	\$209,759	\$1,241,196

The above mentioned Transfers From/To were used to move receipts from the fund that Statute or budget requires to collect them to the fund that statute or budget requires to expend them; and to use unrestricted receipts collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Nonroutine transfers from the General Fund, Court Capital Improvements Fund, ODNR Capital Improvements Fund, and other nonmajor governmental funds were in compliance with Ohio Revised Code to either make debt payments or for designated capital projects.

B. Interfund Balances

For governmental activities, interfund balances at December 31, 2016, arise from the provision of cash flow resources from the General Fund, Cemeteries Fund, Court Probation Services Fund, and Court Capital Improvement Fund until the receipt of charges and grant monies by the General Fund, ODNR Capital Improvement Fund, and other nonmajor governmental funds.

	Interfund Receivables	Interfund Payables
Major Funds:		
General Fund	\$20,000	\$8,800
Court Capital Improvement Fund	14,500	0
ODNR Capital Improvement Grant	0	20,000
Other Nonmajor Governmental Funds:		
Court Grant Funds	0	21,191
Community Corrections Grant Fund	0	2,500
Court Probation Services Fund	9,191	0
Cemeteries Fund	8,800	0
Total all Funds	\$52,491	\$52,491

Village of the City of Gallipolis, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2016

Note 10 - Risk Management

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Village contracts with The Travelers for its coverage as follows:

Property	Limit	Deductible
Real and Personal Property	\$26,502,892	\$1,000
Liability	Limit	Deductible
Commercial General	\$6,000,000	\$0
Employee Benefits	1,000,000	1,000
Law Enforcement	6,000,000	5,000
Public Entity Management	6,000,000	5,000
Auto	Limit	Deductible
Liability	\$6,000,000	\$1,000
Medical Payments	5,000	0
Uninsured Motorist	100,000	0

There were no significant reductions in coverage from prior years. Settlements have not exceeded coverage in any of the last three years.

The Village pays the State Workers' Compensation System a premium for employee injury coverage based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

Note 11 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Plan Description - Village employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. Village employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information, including requirements for reduced and unreduced benefits):

Village of the City of Gallipolis, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2016

Group A	Group B	Group C
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
Public Safety	Public Safety	Public Safety
Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 52 with 25 years of service credit or Age 56 with 15 years of service credit
Law Enforcement	Law Enforcement	Law Enforcement
Age and Service Requirements: Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 56 with 15 years of service credit
Public Safety and Law Enforcement	Public Safety and Law Enforcement	Public Safety and Law Enforcement
Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

Village of the City of Gallipolis, Ohio

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2016*

	<u>State and Local</u>	<u>Public Safety</u>	<u>Law Enforcement</u>
2016 Statutory Maximum Contribution Rates			
Employer	14.0%	18.1%	18.1%
Employee	10.0%	*	**
2016 Actual Contribution Rates			
Employer:			
Pension	12.0%	16.1%	16.1%
Post-employment Health Care Benefits	<u>2.0</u>	<u>2.0</u>	<u>2.0</u>
Total Employer	<u>14.0%</u>	<u>18.1%</u>	<u>18.1%</u>
Employee	<u>10.0%</u>	<u>12.0%</u>	<u>13.0%</u>

* This rate is determined by OPERS' Board and has no maximum rate established by ORC.

** This rate is also determined by OPERS' Board, but is limited by ORC to not more than 2 percent greater than the Public Safety rate.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

The Village's contractually required contribution was \$236,388 for year 2016.

Plan Description – Ohio Police & Fire Pension Fund (OPF)

Plan Description – Village full-time police and firefighters participate in Ohio Police and Fire Pension Fund (OPF), a cost-sharing, multiple-employer defined benefit pension plan administered by OPF. OPF provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OPF issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OPF fiduciary net position. The report that may be obtained by visiting the OPF website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Upon attaining a qualifying age with sufficient years of service, a member of OPF may retire and receive a lifetime monthly pension. OPF offers four types of service retirement: normal, service commuted, age/service commuted and actuarially reduced. Each type has different eligibility guidelines and is calculated using the member's average annual salary. The following discussion of the pension formula relates to normal service retirement.

For members hired after July 1, 2013, the minimum retirement age is 52 for normal service retirement with at least 25 years of service credit. For members hired on or before after July 1, 2013, the minimum retirement age is 48 for normal service retirement with at least 25 years of service credit.

Village of the City of Gallipolis, Ohio

Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit.

Under normal service retirement, retired members who are at least 55 years old and have been receiving OPF benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit and statutory survivors.

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, will receive a COLA equal to either three percent or the percent increase, if any, in the consumer price index (CPI) over the 12-month period ending on September 30 of the immediately preceding year, whichever is less. The COLA amount for members with at least 15 years of service credit as of July 1, 2013 is equal to three percent of their base pension or disability benefit.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	<u>Police</u>	<u>Firefighters</u>
2016 Statutory Maximum Contribution Rates		
Employer	19.50%	24.00%
Employee	12.25%	12.25%
2016 Actual Contribution Rates		
Employer:		
Pension	19.00%	23.50%
Post-employment Health Care Benefits	<u>0.50</u>	<u>0.50</u>
Total Employer	<u>19.50%</u>	<u>24.00%</u>
Employee	12.25%	12.25%

Employer contribution rates are expressed as a percentage of covered payroll. The Village's contractually required contribution to OPF was \$83,175 for 2016.

Note 12 - Postemployment Benefits

A. Ohio Public Employees Retirement System

Plan Description - The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional pension plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

Village of the City of Gallipolis, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2016

OPERS maintained two cost-sharing, multiple-employer defined benefit postemployment health care trusts, which funded multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the traditional pension and the combined plans. Members of the member-directed plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. See OPERS' CAFR referenced below for additional information.

The Ohio Revised Code permits, but does not require OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2016, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

At the beginning of 2016, OPERS maintained three health care trusts. The two cost-sharing, multiple employer trusts, the 401(h) Health Care Trust (401(h) Trust) and the 115 Health Care Trust (115 Trust), worked together to provide health care funding to eligible retirees of the Traditional Pension and Combined plans. Each year, the OPERS Board of Trustees determines the portion of the employer contributions rate that will be set aside to fund health care plans. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2016 remained at 2.0 percent for both the Traditional Pension and Combined plans. The Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The third trust is a Voluntary Employee's Beneficiary Association (VEBA) Trust that provides funding for a Retiree Medical Account (RMA) for Member-Directed Plan members. The employer contribution as a percentage of covered payroll deposited to the RMAs for 2016 was 4.0 percent.

Village of the City of Gallipolis, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2016

In March 2016, OPERS received two favorable rulings from the IRS allowing OPERS to consolidate all health care assets into the 115 Trust. Transition to the new health care trust structure occurred during 2016. OPERS Combining Statements of Changes in Fiduciary Net Position for the year ended December 31, 2016, will reflect a partial year of activity in the 401(h) Trust and VEBA Trust prior to the termination of these trusts as of end of business day June 30, 2016, and the assets and liabilities, or net position, of these trusts being consolidated into the 115 Trust on July 1, 2016.

Substantially all of the Village's contribution allocated to fund postemployment health care benefits relates to the cost-sharing, multiple employer trusts. The corresponding contribution for the years ended December 31, 2016, 2015, and 2014 was \$39,398, \$35,397, and \$35,284, respectively. The full amount has been contributed for 2016, 2015, and 2014.

B. Police and Fire Pension Fund

Plan Description - The Village contributes to the Ohio Police and Fire Pension Fund (OPF) sponsored healthcare program, a cost-sharing, multiple-employer defined post-employment healthcare plan administered by OPF. OPF provides health care benefits including coverage for medical, prescription drug, dental, vision, Medicare Part B Premium, and long-term care to retirees, qualifying benefit recipients and their eligible dependents.

OPF provides access to postretirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or statutory survivor benefit, or is a spouse or eligible dependent child of such person. The health care coverage provided by OPF meets the definition of an Other Post Employment Benefit (OPEB) as described in Government Accounting Standards Board (GASB) Statement No. 45.

The Ohio Revised Code allows, but does not mandate, OPF to provide OPEB benefits. Authority for the OPF Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

OPF issues a publicly available financial report that includes financial information and required supplementary information for the plan. The report may be obtained by visiting the OPF website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy - The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OPF defined benefit pension plan. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently 19.5 percent and 24 percent of covered payroll for police and fire employer units. Active members do not make contributions to the OPEB Plan.

OPF maintains funds for health care in two separate accounts. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B reimbursements administered as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OPF Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2016, the portion of employer contributions allocated to health care was 0.5 percent of covered payroll. The amount of employer contributions allocated to the health care plan

Village of the City of Gallipolis, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2016

each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The OPF Board of Trustees is also authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The Village's contribution to OPF which was allocated to fund postemployment health care benefits for police and firefighters was \$1,991 and \$160 for the year ended December 31, 2016, \$2,306 and \$164 for the year ended December 31, 2015, and \$2,323 and \$160 for the year ended December 31, 2014. The full amount has been contributed for 2016, 2015, and 2014.

Note 13 - Significant Commitments

A. Contractual Commitments

As of December 31, 2016, the Village had a contractual purchase commitment in the Sewer Enterprise Fund as follows:

Project	Purchase Commitments	Paid as of 12/31/2016	Remaining on Contract
Water Pollution Control Facility Improvements	\$7,741,778	\$7,445,517	\$296,261

B. Encumbrances

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end, the amount of encumbrances expected to be honored upon performance by the vendor in the next year were as follows:

Governmental Activities:	
General Fund	\$22,648
Court Capital Improvement Fund	3,652
ODNR Capital Improvement Fund	2,040
Nonmajor Governmental Funds	5,297
Total Governmental Activities	<u>33,637</u>
Business-Type Activities:	
Water Fund	17,352
Sewer Fund	41,775
Total Business-Type Activities	<u>59,127</u>
Total	<u>\$92,764</u>

Note 14 - Capital Leases

In prior years, the Village entered into agreements to lease equipment and vehicles. Such agreements are, in substance, lease purchases and are reflected as capital lease obligations. Principal payments for all capital leases during 2016 totaled \$100,233 and are reported as program disbursements.

Future minimum lease payments through 2020 are as follows:

Village of the City of Gallipolis, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2016

Year	Governmental Activities		Business-Type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$53,552	\$2,978	\$16,068	\$1,150	\$69,620	\$4,128
2018	31,299	1,619	14,635	656	45,934	2,275
2019	30,380	724	13,812	210	44,192	934
2020	7,356	116	0	0	7,356	116
	<u>\$122,587</u>	<u>\$5,437</u>	<u>\$44,515</u>	<u>\$2,016</u>	<u>\$167,102</u>	<u>\$7,453</u>

Note 15 - Long-Term Obligations

Changes in long-term obligations of the Village during 2016 were as follows:

	Principal Outstanding 12/31/15	Additions	Deductions	Principal Outstanding 12/31/16	Amounts Due in One Year
Governmental Activities:					
Bond Anticipation Notes:					
2002 Pumper/Tanker - 4.48%	\$32,994	\$0	\$32,994	\$0	\$0
2014 Fire Equipment - 6.00%	410,585	0	24,006	386,579	24,892
2015 Parking Lot - 2.15%	100,000	0	100,000	0	0
2015 Riverfront Access Improvement - 3.05%	0	908,233	633,816	274,417	0
Total Bond Anticipation Notes	<u>543,579</u>	<u>908,233</u>	<u>790,816</u>	<u>660,996</u>	<u>24,892</u>
General Obligation Bonds:					
2002 Fire Station - 4.99%	422,831	0	18,629	404,202	19,570
2011 Various Purpose - 3.91%	2,019,522	0	92,919	1,926,603	96,587
2013 Street Improvement - 3.55%	301,159	0	18,595	282,564	19,261
2016 Parking Lot - 3.65%	0	80,000	8,049	71,951	7,362
Total General Obligation Bonds	<u>2,743,512</u>	<u>80,000</u>	<u>138,192</u>	<u>2,685,320</u>	<u>142,780</u>
Capital Leases	198,142	0	75,555	122,587	53,552
Total Governmental Activities	<u><u>\$3,485,233</u></u>	<u><u>\$988,233</u></u>	<u><u>\$1,004,563</u></u>	<u><u>\$3,468,903</u></u>	<u><u>\$221,224</u></u>
Business-Type Activities:					
2010 OPWC Spruce Street Water and Sewer Improvements - 0%	\$101,306	\$0	\$2,026	\$99,280	\$4,052
2013 OWDA - Waste Water Treatment Plant - 1.00%	1,293,776	0	35,026	1,258,750	39,980
2013 OWDA - Water Pollution Control Facility - 1.00%	2,705,344	4,262,914	330,442	6,637,816	0
2013 OPWC Water Pollution Control Facility - 0%	0	500,000	0	500,000	16,667
Total Loans	<u>4,100,426</u>	<u>4,762,914</u>	<u>367,494</u>	<u>8,495,846</u>	<u>60,699</u>
Capital Leases	69,193	0	24,678	44,515	16,068
Total Business-Type Activities	<u><u>\$4,169,619</u></u>	<u><u>\$4,762,914</u></u>	<u><u>\$392,172</u></u>	<u><u>\$8,540,361</u></u>	<u><u>\$76,767</u></u>

Village of the City of Gallipolis, Ohio

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2016*

The Pumper/Tanker Truck Bond Anticipation Note, originally issued on April 24, 2002, in the amount of \$235,000, represent amounts borrowed for the purchase of new fire trucks. The bond anticipation notes were retired from property tax receipts in the Fire Levy Special Revenue Fund in 2016.

The Fire Equipment Bond Anticipation Notes, originally issued on March 15, 2014, in the amount of \$445,000, represents amounts borrowed for the purchase of fire equipment and specifically, a pumper truck and a brush truck. The notes will be retired from property tax receipts in the Fire Levy Special Revenue Fund.

Principal and interest requirements to retire the Fire Equipment Bond Anticipation Notes outstanding at December 31, 2016, are as follows:

Year Ended December 31,	Principal	Interest	Total
2017	\$24,892	\$13,923	\$38,815
2018	25,812	13,004	38,816
2019	26,765	12,050	38,815
2020	27,754	11,062	38,816
2021	28,779	10,037	38,816
2022 - 2026	160,646	33,433	194,079
2027 - 2029	91,931	5,108	97,039
	<u>\$386,579</u>	<u>\$98,617</u>	<u>\$485,196</u>

The 2015 Parking Lot Bond Anticipation Notes, originally issued on March 30, 2015, in the amount of \$100,000, represents amounts borrowed for the purchase of property and the improvements to the property for the use as a parking lot. The notes were retired on March 28, 2016.

Riverfront Access Improvement Bond Anticipations Notes, in the amount of \$908,233, were issued in 2016. The Village retired \$633,816 of the issued amount; however, additional funds are available to the Village and no amortization schedule exists.

The 2016 Parking Lot Bonds, originally issued on March 31, 2016, in the amount of \$80,000, represents amounts borrowed for the purchase of property and the improvements to the property for the use as a parking lot. The notes will be retired from property tax receipts in the General Fund.

Principal and interest requirements to retire the 2016 Parking Lot Bond Anticipation Notes outstanding at December 31, 2016, are as follows:

Year Ended December 31,	Principal	Interest	Total
2017	\$7,362	\$2,560	\$9,922
2018	7,634	2,288	9,922
2019	7,915	2,007	9,922
2020	8,206	1,716	9,922
2021	8,509	1,414	9,923
2022 - 2025	32,325	2,402	34,727
	<u>\$71,951</u>	<u>\$12,387</u>	<u>\$84,338</u>

Village of the City of Gallipolis, Ohio

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2016*

The Fire Station General Obligation Bonds, originally issued on February 25, 2002, in the amount of \$602,000, represents amounts borrowed for the construction of a fire station and will be retired from property tax receipts in the Fire Levy Special Revenue Fund.

Principal and interest requirements to retire the Fire Station General Obligation Bonds outstanding at December 31, 2016, are as follows:

Year Ended December 31,	Principal	Interest	Total
2017	\$19,570	\$19,929	\$39,499
2018	20,558	18,940	39,498
2019	21,597	17,901	39,498
2020	22,688	16,810	39,498
2021	23,835	15,664	39,499
2022 - 2026	138,499	58,994	197,493
2027 - 2031	157,455	20,287	177,742
	<u>\$404,202</u>	<u>\$168,525</u>	<u>\$572,727</u>

The Various Purpose Bonds was issued on September 30, 2011, for \$2,342,000 and matures on December 1, 2031. The bonds were issued for the purpose of acquiring and constructing a new justice center and an auxiliary fire station. The bonds will be retired from property tax receipts and court fees.

Principal and interest requirements to retire the Various Purpose Bonds outstanding at December 31, 2016, are as follows:

Year Ended December 31,	Principal	Interest	Total
2017	\$96,587	\$74,395	\$170,982
2018	100,401	70,582	170,983
2019	104,365	66,618	170,983
2020	108,486	62,497	170,983
2021	112,769	58,214	170,983
2022 - 2026	634,251	220,660	854,911
2027 - 2031	769,744	85,168	854,912
	<u>\$1,926,603</u>	<u>\$638,134</u>	<u>\$2,564,737</u>

The Street Improvement Bonds was issued on February 27, 2013, for \$353,175 and matures on December 1, 2028. The bonds were issued for the purpose of paying part of the cost of constructing street and road improvements. The bonds will be retired from general property tax revenues of the Village.

Principal and interest requirements to retire the Street Improvement Bonds outstanding at December 31, 2016, are as follows:

Village of the City of Gallipolis, Ohio

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2016*

Year Ended December 31,	Principal	Interest	Total
2017	\$19,261	\$9,862	\$29,123
2018	19,951	9,172	29,123
2019	20,666	8,457	29,123
2020	21,406	7,717	29,123
2021	22,173	6,950	29,123
2022 - 2026	123,357	22,257	145,614
2027 - 2028	55,750	2,495	58,245
	<u>\$282,564</u>	<u>\$66,910</u>	<u>\$349,474</u>

The OPWC Spruce Street Water and Sewer Improvement Loan began draws in 2010 and was obtained to finance the improvements to water and sewer lines on Spruce Street. The loan activity is reflected in the Sewer and Water Enterprise Funds which received the proceeds and will repay the debt.

Principal requirements to retire the OPWC Spruce Street Water and Sewer Improvement Loan outstanding at December 31, 2016, are as follows:

Year Ended December 31,	Principal
2017	\$4,052
2018	4,053
2019	4,052
2020	4,053
2021	4,052
2022 - 2026	20,261
2027 - 2031	20,261
2032 - 2036	20,261
2037 - 2040	18,235
	<u>\$99,280</u>

The 2013 Ohio Water Development Authority (OWDA) Wastewater Treatment Plant Headworks Loan relates to the engineering and design of improvements to the headworks at the wastewater treatment plant. The loan activity is reflected in the Sewer Enterprise Fund which received the proceeds and will repay the debt.

Principal and interest requirements to retire the Wastewater Treatment Plant Headworks Loan outstanding at December 31, 2016, are as follows:

Village of the City of Gallipolis, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2016

Year Ended December 31,	Principal	Interest	Total
2017	\$39,980	\$12,488	\$52,468
2018	40,381	12,088	52,469
2019	40,786	11,682	52,468
2020	41,195	11,273	52,468
2021	41,608	10,860	52,468
2022 - 2026	214,380	47,961	262,341
2027 - 2031	225,344	36,997	262,341
2032 - 2036	236,868	25,473	262,341
2037 - 2041	248,982	13,359	262,341
2042 - 2044	129,226	1,945	131,171
	<u>\$1,258,750</u>	<u>\$184,126</u>	<u>\$1,442,876</u>

The 2013 Ohio Water Development Authority (OWDA) Water Pollution Control Facility Improvement Loan relates to the planning, design, and construction of upgrades to existing wastewater facilities. As of December 31, 2016, this loan has not been fully drawn down and no amortization schedule exists. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The OPWC Water Pollution Control Facility Loan was obtained in 2013 to finance the planning, design, and construction of upgrades to existing wastewater facilities. The loan activity is reflected in the Sewer Enterprise Fund which received the proceeds and will repay the debt.

Principal requirements to retire the OPWC Water Pollution Control Facility Loan outstanding at December 31, 2016, are as follows:

Year Ended December 31,	Principal
2017	\$16,667
2018	16,667
2019	16,667
2020	16,667
2021	16,667
2022 - 2026	83,333
2027 - 2031	83,333
2032 - 2036	83,333
2037 - 2041	83,333
2042 - 2046	83,333
	<u>\$500,000</u>

The Village's overall legal debt margin was \$4,917,026, with an unvoted debt margin of \$982,101 at December 31, 2016.

Village of the City of Gallipolis, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2016

Note 16 - Related Organization

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 board members are appointed by the Village, one member is appointed by the Gallia County Probate Court Judge, one member is appointed by the Gallia County Common Pleas Court Judge, and one member is appointed by the Gallia County Commissioners. The Authority receives funding from the U.S. Department of Housing and Urban Development. The Board sets its own budget and selects its own management, and the Village is not involved in its management or operation. The Village is not financially accountable for the Authority.

Note 17 - Contingencies

A. Grants

The Village receives financial assistance from federal and State agencies in the form of grants. Disbursing grant funds generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims through December 31, 2016, will not have a material adverse effect on the Village.

B. Litigation

The Village is currently party to pending litigation seeking damages and/or injunctive relief as confirmed by the Village Solicitor. The outcomes are not known at this time. The Village management is of the opinion that ultimate disposition of these claims and legal proceeding will not have a material effect, if any, on the financial condition of the Village.

This page intentionally left blank.



Dave Yost • Auditor of State

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

Village of the City of Gallipolis
Gallia County
P.O. Box 339
333 Third Avenue
Gallipolis, Ohio 45631

To the Village Commission:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the cash-basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of the City of Gallipolis, Gallia County, Ohio (the Village), as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements and have issued our report thereon dated October 3, 2018, wherein we noted the Village uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

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



Dave Yost
Auditor of State
Columbus, Ohio

October 3, 2018



Dave Yost • Auditor of State

VILLAGE OF CITY OF GALLIPOLIS

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
NOVEMBER 8, 2018