



Dave Yost • Auditor of State



**GALLIA COUNTY**  
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GALLIA COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Gallia County  
18 Locust Street  
Gallipolis, Ohio 45631

To the Board of County Commissioners:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Gallia County, Ohio (the County), as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the County'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 accounting principles generally accepted in the United States of America; this includes 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 County'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 County's internal control. Accordingly, we express no 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 financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Gallia County, Ohio, as of December 31, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General, Motor Vehicle Gasoline Tax, Job and Family Services, and Board of Developmental Disabilities Funds thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As discussed in Note 3 to the financial statements, during the year ended December 31, 2015, the County adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The County also restated capital assets due to a prior year overstatement. We did not modify our opinion regarding this matter.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, *Schedules for infrastructure assets accounted for using the modified approach*, and scheduled of net pension liabilities and pension contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

#### *Supplementary and Other Information*

Our audit was conducted to opine on the County's basic financial statements taken as a whole.

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected the Schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2016, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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 County's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State  
Columbus, Ohio

September 29, 2016

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**Gallia County, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2015*  
*Unaudited*

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The discussion and analysis of Gallia County's (the County) financial performance provides an overall review of the County's financial activities for the year ended December 31, 2015. The intent of this discussion and analysis is to look at the County's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the County's financial performance.

## **FINANCIAL HIGHLIGHTS**

**Key financial highlights for year 2015 are as follows:**

- In total, net position increased \$1,387,435. Net position of governmental activities increased \$1,469,733, or 1.40 percent from 2014. Net position of business-type activities decreased \$82,298 or 1.18 percent from 2014.
- Overall, the fund balance of governmental funds increased \$1,365,898. While the General Fund increased \$342,626, the Motor Vehicle Gasoline Tax Fund increased \$185,332, the Job and Family Services Fund increased \$168,152, and the Board of Developmental Disabilities Fund increased \$154,733.

## **USING THIS ANNUAL FINANCIAL REPORT**

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the financial position of Gallia County.

The Statement of Net Position and the Statement of Activities provide information about the activities of the County as a whole, presenting both an aggregate and a longer-term view of the County. Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. Fund financial statements report the County's most significant funds individually and the County's non-major funds in a single column.

### ***Reporting Gallia County as a Whole***

#### *Statement of Net Position and Statement of Activities*

While this document contains information about the funds used by the County to provide services to our citizens, the view of the County as a whole looks at all financial transactions and asks the question, "How did we do financially during 2015?" The Statement of Net Position and Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting considers all of the current year's revenues and expenses regardless of when cash is received or paid.

These statements report the County's net position and changes in net position. This change in net position is important because it tells the reader whether, for the County as a whole, the financial position of the County has improved or worsened. Over time, these changes are one indicator of whether the financial position is improving or deteriorating. However, in evaluating the overall position of the County, non-financial information, such as the condition of the County's capital assets and changes in the County's property tax base will also need to be evaluated.

In the Statement of Net Position and the Statement of Activities, the County is divided into two kinds of activities:

**Gallia County, Ohio**  
*Management's Discussion and Analysis*  
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*Unaudited*

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- **Governmental Activities** – Most of the County's programs or services are reported here, including legislative and executive, judicial, public safety, public works, health, human services, and economic development. These services are funded primarily by taxes and intergovernmental receipts, including federal and state grants and other shared revenues.
- **Business-Type Activities** – These services are provided on a charge for goods or services basis to recover all or most of the cost of the services provided. The County's Sewer system is reported here.

**Reporting the Gallia County's Most Significant Funds**

*Fund Financial Statements*

The basic governmental fund financial statements begin on page 16. Fund financial reports provide detailed information about the County's major funds. Based upon restrictions on the use of monies, the County has established many funds which account for the multitude of services provided to our residents. However, these fund financial statements focus on the County's most significant funds. The County's major funds are the General Fund; the Motor Vehicle Gasoline Tax, Job and Family Services, and Board of Developmental Disabilities Special Revenue Funds; and the Sewer Enterprise Fund.

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

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

The County maintains a number of individual governmental funds. Information for major funds, identified earlier, is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances. Data from the other governmental funds are combined into a single aggregated presentation.

**Proprietary Funds** The County uses enterprise funds to account for its sewer operations. For these operations, the County charges a fee to customers, based upon the amount of usage, to recover the costs of the services provided, and to cover the capital assets associated with the services.

**GALLIA COUNTY AS A WHOLE**

Recall that the Statement of Net Position provides the perspective of the County as a whole. Table 1 provides a summary of the County's net position for 2015 compared to 2014.

**Gallia County, Ohio**  
*Management's Discussion and Analysis*  
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*Unaudited*

(Table 1)  
 Net Position

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
<b>Assets</b>						
Current and Other Assets	\$18,562,199	\$17,762,766	\$2,220,778	\$1,773,771	\$20,782,977	\$19,536,537
Capital Assets, Net	106,792,773	106,200,910	10,675,657	10,786,024	117,468,430	116,986,934
<i>Total Assets</i>	<u>125,354,972</u>	<u>123,963,676</u>	<u>12,896,435</u>	<u>12,559,795</u>	<u>138,251,407</u>	<u>136,523,471</u>
<b>Deferred Outflows of Resources</b>						
Pensions	1,739,436	995,361	0	0	1,739,436	995,361
<b>Liabilities</b>						
Current and Other Liabilities	2,188,913	2,320,077	290,198	163,983	2,479,111	2,484,060
Long-Term Liabilities:						
Due within One Year	138,651	147,634	526,528	529,869	665,179	677,503
Due in More than One Year						
Net Pension Liability	10,858,476	10,400,299	0	0	10,858,476	10,400,299
Other Amounts	2,998,443	3,212,178	5,199,728	4,903,664	8,198,171	8,115,842
<i>Total Liabilities</i>	<u>16,184,483</u>	<u>16,080,188</u>	<u>6,016,454</u>	<u>5,597,516</u>	<u>22,200,937</u>	<u>21,677,704</u>
<b>Deferred Inflows of Resources</b>						
Property Taxes	4,121,800	3,755,322	0	0	4,121,800	3,755,322
Pension	194,865	0	0	0	194,865	0
<i>Total Deferred Inflows of Resources</i>	<u>4,316,665</u>	<u>3,755,322</u>	<u>0</u>	<u>0</u>	<u>4,316,665</u>	<u>3,755,322</u>
<b>Net Position</b>						
Net Investment in Capital						
Assets	104,024,377	103,178,781	4,802,733	5,343,109	108,827,110	108,521,890
Restricted	8,692,326	8,150,269	0	0	8,692,326	8,150,269
Unrestricted	(6,123,443)	(6,205,523)	2,077,248	1,619,170	(4,046,195)	(4,586,353)
<i>Total Net Position</i>	<u>\$106,593,260</u>	<u>\$105,123,527</u>	<u>\$6,879,981</u>	<u>\$6,962,279</u>	<u>\$113,473,241</u>	<u>\$112,085,806</u>

During 2015, the County adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the County's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 68, the net pension liability equals the County's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

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GASB notes that pension obligations, whether funded or unfunded, are part of the “employment exchange” – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the County is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer’s promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the County’s statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan’s *change* in net pension liability not accounted for as deferred inflows/outflows.

As a result of implementing GASB 68, the County is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating the net position of governmental activities at December 31, 2014, from \$114,852,722 to \$105,123,527.

Governmental activities assets increased \$1,391,296. Capital assets increased in the amount of \$591,863; also, equity in pooled cash increased \$1,318,994. Total governmental activities liabilities increased \$104,295. Net Pension Liability increased \$458,177, which was offset by a \$117,787 decrease in accounts payable and a \$166,112 decrease in intergovernmental payable.

Total business-type activities assets decreased \$336,640. Equity in pooled cash increased by \$357,070, which was offset by a \$110,367 decrease in capital assets due to the depreciation of a previous construction in progress project.

Table 2 reflects the change in net position of the current year from the prior year.

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(Table 2)  
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
<b>Revenues</b>						
Program Revenues:						
Charges for Services	\$4,812,166	\$5,476,951	\$608,419	\$558,562	\$5,420,585	\$6,035,513
Operating Grants, Contributions and Interest	17,347,447	16,915,858	0	0	17,347,447	16,915,858
Capital Grants and Contributions	0	0	210,042	59,183	210,042	59,183
<i>Total Program Revenues</i>	<u>22,159,613</u>	<u>22,392,809</u>	<u>818,461</u>	<u>617,745</u>	<u>22,978,074</u>	<u>23,010,554</u>
General Revenues:						
Property Taxes	3,682,051	3,284,029	0	0	3,682,051	3,284,029
Sales Taxes	4,511,692	4,726,104	0	0	4,511,692	4,726,104
Grants and Entitlements	885,391	939,723	0	0	885,391	939,723
Interest	49,609	45,582	5,973	6,364	55,582	51,946
Contributions and Donations	3,200	1,185	0	0	3,200	1,185
Insurance Recoveries	193,470	81,472	0	0	193,470	81,472
Miscellaneous	765,308	608,232	8,540	8,861	773,848	617,093
<i>Total General Revenues</i>	<u>10,090,721</u>	<u>9,686,327</u>	<u>14,513</u>	<u>15,225</u>	<u>10,105,234</u>	<u>9,701,552</u>
Total Revenues	<u>32,250,334</u>	<u>32,079,136</u>	<u>832,974</u>	<u>632,970</u>	<u>33,083,308</u>	<u>32,712,106</u>
<b>Program Expenses</b>						
General Government:						
Legislative and Executive	4,928,244	4,865,994	0	0	4,928,244	4,865,994
Judicial	2,166,690	1,862,669	0	0	2,166,690	1,862,669
Public Safety	5,184,511	5,087,516	0	0	5,184,511	5,087,516
Public Works	4,917,549	5,130,880	0	0	4,917,549	5,130,880
Health	2,936,805	3,399,001	0	0	2,936,805	3,399,001
Human Services	8,763,890	9,735,467	0	0	8,763,890	9,735,467
Economic Development	1,766,813	836,676	0	0	1,766,813	836,676
Interest and Fiscal Charges	116,099	114,894	0	0	116,099	114,894
Sewer	0	0	915,272	937,310	915,272	937,310
<i>Total Program Expenses</i>	<u>30,780,601</u>	<u>31,033,097</u>	<u>915,272</u>	<u>937,310</u>	<u>31,695,873</u>	<u>31,970,407</u>
<i>Change in Net Position Before Transfers</i>	1,469,733	1,046,039	(82,298)	(304,340)	1,387,435	741,699
<i>Transfers</i>	0	(130)	0	130	0	0
Change in Net Position	1,469,733	1,045,909	(82,298)	(304,210)	1,387,435	741,699
<i>Net Position at Beginning of Year</i>	<u>105,123,527</u>	<u>N/A</u>	<u>6,962,279</u>	<u>7,266,489</u>	<u>112,085,806</u>	<u>N/A</u>
<i>Net Position at End of Year</i>	<u>\$106,593,260</u>	<u>\$105,123,527</u>	<u>\$6,879,981</u>	<u>\$6,962,279</u>	<u>\$113,473,241</u>	<u>\$112,085,806</u>

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$995,361 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$1,113,560. Consequently, in order to compare 2015

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*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2015*  
*Unaudited*

total program expenses to 2014, the following adjustments are needed:

Total 2015 program expenses under GASB 68	\$30,780,601
Pension expense under GASB 68	(1,113,560)
2015 contractually required contribution	<u>1,204,593</u>
Adjusted 2015 program expenses	30,871,634
Total 2014 program expenses under GASB 27	<u>31,033,097</u>
Decrease in program expenses not related to pension	<u><u>(\$161,463)</u></u>

**Governmental Activities**

Program revenues accounted for 68.71 percent of total revenues for governmental activities in 2015. Governmental activities services are primarily funded through these program revenues, with operating and capital grants accounting for \$17,347,447 or 53.79 percent of total revenues. The major recipients of these intergovernmental receipts were the Motor Vehicle Gasoline Tax, Job and Family Services, and Board of Developmental Disabilities Special Revenue Funds.

The County's direct charges to users of governmental services made up \$4,812,166 or 14.92 percent of total governmental revenues. These charges are for fees associated with the collection of property taxes, fines and forfeitures related to judicial activity, licenses and permits, and public assistance fees.

General revenues, primarily property and sales taxes, accounted for 31.29 percent of total revenues. This highlights the County's continued dependence upon its citizens and taxpayers to fund those programs most important to them.

Human service programs accounted for \$8,763,890 or 28.47 percent of total expenses for governmental activities. The expenses are primarily for Job and Family Services, Children's Services, and Child Support Enforcement activity. These activities are almost entirely paid from program revenues. These grants and entitlements allow the County to continue to offer a wide variety of quality services to its citizens without increasing the tax burden on our citizens.

Public safety programs are a major activity of the County, accounting for \$5,184,511 or 16.84 percent of all governmental expenses. These activities are funded primarily through property and sales taxes. The County attempts to supplement the income and activities of the sheriff department to enable the department to widen the scope of its activity at the lowest cost to the taxpayer. The Work Release Center is an example of this philosophy.

Public works programs accounted for \$4,917,549 or 15.98 percent of all governmental activities. These activities are paid entirely with program revenues. The funding from other governmental granting agencies was used for numerous road and bridge projects throughout the County.

General government legislative and executive and judicial, health, economic development, and interest and fiscal charges expenditures account for the remaining 38.71 percent of governmental expenses.

**Business-Type Activities**

The County's sewer operations experienced a decrease in net position of \$82,298 during 2015. Charges for services and capital grants accounted for \$608,419 and \$210,042, respectively, or 73.04 and 25.22 percent of total revenue. Sewer expenses decreased \$22,038 from 2014.



**Gallia County, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2015*  
*Unaudited*

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**THE COUNTY'S FUNDS**

The County's governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$32,845,959 and expenditures of \$31,699,790.

The fund balance of the General Fund increased \$342,626. The General Fund's unassigned fund balance of \$2,073,716 represented 24.68 percent of current year expenditures. Most of this balance remains in the County's treasury.

The fund balance of the Motor Vehicle Gasoline Tax Special Revenue Fund increased \$185,332. The Motor Vehicle Gasoline Tax Special Revenue Fund's spendable fund balance of \$1,493,953 represented 28.41 percent of current year expenditures.

The fund balance of the Job and Family Services Special Revenue Fund increased \$168,152. The Job and Family Services Special Revenue Fund ended the year with a fund balance of \$324,820.

The fund balance of the Board of Developmental Disabilities Special Revenue Fund increased \$154,733. The Board of Developmental Disabilities Special Revenue Fund's spendable fund balance of \$976,822 represented 37.57 percent of current year expenditures.

The net position of the Sewer Enterprise Fund decreased \$82,298. The Sewer Fund's unrestricted net position of \$2,077,248 represented 255.09 percent of current year expenses.

***General Fund Budgeting Highlights***

The County'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. From time to time during the year, the fund's budget may be amended as needs or conditions change.

During the course of 2015, the County amended its General Fund budget several times, though none were significant. All recommendations for a budget change came from either the County Auditor or departmental managers to the Finance Committee of the County Commissioners for review before going to the whole Commission for Ordinance enactment on the change. The allocation of appropriations among the departments and objects within a fund may be changes during the year with approval from the County Commissioners. With the General Fund supporting many of our major activities such as our sheriff department, as well as most legislative and executive activities, the General Fund is monitored closely looking for possible revenue shortfalls or overspending by individual departments.

For the General Fund, increases of \$791,932 were made to the original budgeted revenues. Final budgeted expenditures decreased \$267,901 from the original amount. Gallia County's ending unencumbered fund balance in the General Fund was \$15,957 more than the final budgeted amount.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

***Capital Assets***

At the end of 2015, the County had \$106,792,773 in governmental activities, and \$10,675,657 in business-type activities, invested in land, infrastructure, construction in progress, land improvements, buildings and improvements, furniture, fixtures, and equipment, and vehicles. Table 3 shows 2015 balances compared to 2014.

**Gallia County, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2015*  
*Unaudited*

(Table 3)  
 Capital Assets at December 31, 2015

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$648,565	\$648,565	\$0	\$0	\$648,565	\$648,565
Infrastructure	94,753,649	94,255,105	9,752,002	4,389,819	104,505,651	98,644,924
Construction in Progress	878,955	479,356	865,694	6,355,822	1,744,649	6,835,178
Land Improvements	27,489	32,212	0	0	27,489	32,212
Building and Improvements	8,009,701	8,345,776	0	0	8,009,701	8,345,776
Furniture, Fixtures, and						
Equipment	1,255,306	1,448,277	26,970	31,219	1,282,276	1,479,496
Vehicles	1,219,108	991,619	30,991	9,164	1,250,099	1,000,783
Totals	<u>\$106,792,773</u>	<u>\$106,200,910</u>	<u>\$10,675,657</u>	<u>\$10,786,024</u>	<u>\$117,468,430</u>	<u>\$116,986,934</u>

The assets of the County are reported at historical cost, net of depreciation. The County uses the modified approach to present infrastructure for its governmental type activities. Disclosures about the condition assessments for infrastructure can be found in the Required Supplementary Information. For additional information on capital assets, see Note 9 to the basic financial statements.

**Debt**

By year end, the County had various bonds, loans, and capital leases payable, totaling \$8,490,616 of which \$665,071 is due within one year.

(Table 4)  
 Outstanding Debt at December 31, 2015

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
General Obligation Bonds	\$2,457,807	\$2,667,636	\$0	\$0	\$2,457,807	\$2,667,636
Revenue Bonds	0	0	3,779,241	3,463,100	\$3,779,241	\$3,463,100
OWDA Loans	0	0	1,564,895	1,570,016	1,564,895	1,570,016
OPWC Loans	162,287	170,035	378,084	400,417	540,371	570,452
Capital Leases	148,302	184,458	0	0	148,302	184,458
Totals	<u>\$2,768,396</u>	<u>\$3,022,129</u>	<u>\$5,722,220</u>	<u>\$5,433,533</u>	<u>\$8,490,616</u>	<u>\$8,455,662</u>

The County's overall legal debt margin was \$15,926,261 at December 31, 2015. For additional information on the County's debt, see Notes 18 and 23 to the basic financial statements.

**CURRENT ISSUES**

As the preceding information shows, the County depends heavily on its taxpayers and grants and entitlements. Although Gallia County has tightened spending to better bring expenses in line with revenues, and carefully watched financial planning, this must continue if the County hopes to remain on firm financial footing.



**Gallia County, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2015*  
*Unaudited*

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**CONTACTING THE COUNTY AUDITOR'S DEPARTMENT**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Larry M. Betz, Gallia County Auditor, 18 Locust Street, Gallipolis, Ohio 45631.

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**Gallia County, Ohio**  
*Statement of Net Position*  
*December 31, 2015*

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$8,931,097	\$2,122,003	\$11,053,100
Cash and Cash Equivalents in Segregated Accounts	31,624	0	31,624
Cash and Cash Equivalents with Fiscal Agents	320,078	0	320,078
Accounts Receivable	8,263	135,087	143,350
Internal Balances	36,312	(36,312)	0
Intergovernmental Receivable	2,930,117	0	2,930,117
Sales Tax Receivable	812,826	0	812,826
Materials and Supplies Inventory	217,592	0	217,592
Prepaid Items	61,493	0	61,493
Loans Receivable	701,239	0	701,239
Property Taxes Receivable	4,511,558	0	4,511,558
Nondepreciable Capital Assets	96,281,169	865,694	97,146,863
Depreciable Capital Assets, Net	10,511,604	9,809,963	20,321,567
<i>Total Assets</i>	<u>125,354,972</u>	<u>12,896,435</u>	<u>138,251,407</u>
<b>Deferred Outflows of Resources</b>			
Pension	1,739,436	0	1,739,436
<b>Liabilities</b>			
Accounts Payable	486,851	13,442	500,293
Contracts Payable	41,011	150,863	191,874
Accrued Wages Payable	491,006	4,746	495,752
Vacation Benefits Payable	810,921	5,025	815,946
Intergovernmental Payable	216,827	8,266	225,093
Accrued Interest Payable	18,050	107,856	125,906
Unearned Revenue	124,247	0	124,247
Long-Term Liabilities:			
Due within One Year	138,651	526,528	665,179
Due in More than One Year:			
Net Pension Liability (See Note 11)	10,858,476	0	10,858,476
Other Amounts Due in More than One Year	2,998,443	5,199,728	8,198,171
<i>Total Liabilities</i>	<u>16,184,483</u>	<u>6,016,454</u>	<u>22,200,937</u>
<b>Deferred Inflows of Resources</b>			
Property Taxes	4,121,800	0	4,121,800
Pension	194,865	0	194,865
<i>Total Deferred Inflows of Resources</i>	<u>4,316,665</u>	<u>0</u>	<u>4,316,665</u>
<b>Net Position</b>			
Net Investment in Capital Assets	104,024,377	4,802,733	108,827,110
Restricted for:			
Debt Service	74,928	0	74,928
Capital Outlay	5,802	0	5,802
Job and Family Services	213,595	0	213,595
Court Operations	1,137,057	0	1,137,057
Sheriff Operations	195,410	0	195,410
Emergency Management Services	672,974	0	672,974
Real Estate Management	771,889	0	771,889
Roads and Bridges	2,717,612	0	2,717,612
Developmental Disabilities	1,152,493	0	1,152,493
Economic Development	973,770	0	973,770
Unclaimed Monies	10,468	0	10,468
Other Purposes	766,328	0	766,328
Unrestricted	(6,123,443)	2,077,248	(4,046,195)
<i>Total Net Position</i>	<u>\$106,593,260</u>	<u>\$6,879,981</u>	<u>\$113,473,241</u>

See accompanying notes to the basic financial statements

**Gallia County, Ohio**  
*Statement of Activities*  
For the Year Ended December 31, 2015

	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions and Interest	Capital Grants
<b>Governmental Activities</b>				
General Government:				
Legislative and Executive	\$4,928,244	\$1,793,395	\$129,729	\$0
Judicial	2,166,690	799,199	544,544	0
Public Safety	5,184,511	1,152,708	366,043	0
Public Works	4,917,549	121,950	5,223,418	0
Health	2,936,805	353,623	1,220,484	0
Human Services	8,763,890	454,270	7,873,270	0
Economic Development	1,766,813	137,021	1,989,959	0
Interest and Fiscal Charges	116,099	0	0	0
<i>Total Governmental Activities</i>	30,780,601	4,812,166	17,347,447	0
<b>Business-Type Activity</b>				
Sewer	915,272	608,419	0	210,042
<i>Total Primary Government</i>	<u>\$31,695,873</u>	<u>\$5,420,585</u>	<u>\$17,347,447</u>	<u>\$210,042</u>

**General Revenues**

Property Taxes Levied for:  
General Purposes  
Board of Developmental Disabilities  
Sales Taxes Levied for:  
General Purposes  
Public Safety  
Grants and Entitlements not Restricted to Specific Programs  
Gifts and Donations  
Interest  
Insurance Recoveries  
Other Revenues

*Total General Revenues*

Change in Net Position

*Net Position at Beginning of Year - Restated (See Note 3)*

*Net Position at End of Year*

See accompanying notes to the basic financial statements

Net (Expense) Revenue  
and Changes in Net Position

Governmental Activities	Business-Type Activity	Total
(\$3,005,120)	\$0	(\$3,005,120)
(822,947)	0	(822,947)
(3,665,760)	0	(3,665,760)
427,819	0	427,819
(1,362,698)	0	(1,362,698)
(436,350)	0	(436,350)
360,167	0	360,167
(116,099)	0	(116,099)
(8,620,988)	0	(8,620,988)
<u>0</u>	<u>(96,811)</u>	<u>(96,811)</u>
<u>(8,620,988)</u>	<u>(96,811)</u>	<u>(8,717,799)</u>
2,519,560	0	2,519,560
1,162,491	0	1,162,491
3,609,341	0	3,609,341
902,351	0	902,351
885,391	0	885,391
3,200	0	3,200
49,609	5,973	55,582
193,470	0	193,470
765,308	8,540	773,848
<u>10,090,721</u>	<u>14,513</u>	<u>10,105,234</u>
1,469,733	(82,298)	1,387,435
<u>105,123,527</u>	<u>6,962,279</u>	<u>112,085,806</u>
<u>\$106,593,260</u>	<u>\$6,879,981</u>	<u>\$113,473,241</u>

**Gallia County, Ohio**

*Balance Sheet  
Governmental Funds  
December 31, 2015*

	General	Motor Vehicle Gasoline Tax	Job and Family Services	Board of Developmental Disabilities	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Equity in Pooled Cash and Cash Equivalents	\$1,899,981	\$1,030,076	\$597,474	\$573,572	\$4,411,526	\$8,512,629
Cash and Cash Equivalents in Segregated Accounts	9,585	0	0	0	22,039	31,624
Cash and Cash Equivalents with Fiscal Agents	0	0	0	320,078	0	320,078
Restricted Assets:						
Cash and Cash Equivalents	10,468	0	0	0	0	10,468
Receivables:						
Property Taxes	3,252,626	0	0	1,258,932	0	4,511,558
Sales Taxes	650,258	0	0	0	162,568	812,826
Accounts	100	0	0	8,163	0	8,263
Intergovernmental	501,134	1,729,567	785	444,807	253,824	2,930,117
Loans	0	0	0	0	701,239	701,239
Interfund	66,781	2,052	1,531	971	20,534	91,869
Materials and Supplies Inventory	0	217,592	0	0	0	217,592
Prepaid Items	61,493	0	0	0	0	61,493
<b>Total Assets</b>	<b>\$6,452,426</b>	<b>\$2,979,287</b>	<b>\$599,790</b>	<b>\$2,606,523</b>	<b>\$5,571,730</b>	<b>\$18,209,756</b>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities</b>						
Accounts Payable	\$123,466	\$51,655	\$146,548	\$10,727	\$154,455	\$486,851
Contracts Payable	18,483	15,148	0	0	7,380	41,011
Accrued Wages Payable	159,380	48,942	62,132	69,968	150,584	491,006
Intergovernmental Payable	93,007	18,212	24,319	25,245	56,044	216,827
Interfund Payable	2,052	0	29,062	0	24,443	55,557
Unearned Revenue	0	0	12,124	0	112,123	124,247
<b>Total Liabilities</b>	<b>396,388</b>	<b>133,957</b>	<b>274,185</b>	<b>105,940</b>	<b>505,029</b>	<b>1,415,499</b>
<b>Deferred Inflows of Resources</b>						
Property Taxes not Levied to Finance Current Year Operations	2,976,164	0	0	1,145,636	0	4,121,800
Unavailable Revenue	626,614	1,133,785	785	378,125	149,476	2,288,785
<b>Total Deferred Inflows of Resources</b>	<b>3,602,778</b>	<b>1,133,785</b>	<b>785</b>	<b>1,523,761</b>	<b>149,476</b>	<b>6,410,585</b>
<b>Fund Balances</b>						
Nonspendable	71,961	217,592	0	0	0	289,553
Restricted	0	1,493,953	324,820	976,822	4,709,273	7,504,868
Committed	400	0	0	0	207,952	208,352
Assigned	307,183	0	0	0	0	307,183
Unassigned	2,073,716	0	0	0	0	2,073,716
<b>Total Fund Balances</b>	<b>2,453,260</b>	<b>1,711,545</b>	<b>324,820</b>	<b>976,822</b>	<b>4,917,225</b>	<b>10,383,672</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$6,452,426</b>	<b>\$2,979,287</b>	<b>\$599,790</b>	<b>\$2,606,523</b>	<b>\$5,571,730</b>	<b>\$18,209,756</b>

See accompanying notes to the basic financial statements

**Gallia County, Ohio**  
*Reconciliation of Total Governmental Fund Balances  
to Net Position of Governmental Activities  
December 31, 2015*

**Total Governmental Fund Balances** \$10,383,672

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

Capital Assets used in governmental activities are not financial resources and therefore are not reported in the funds. 106,792,773

Other long-term assets are not available to pay for current-period expenditures and therefore are not reported in the funds:

Delinquent Property Taxes	389,758	
Intergovernmental Revenues	1,814,875	
Charges for Services	84,052	
Other Revenues	100	2,288,785

An internal service fund is used by management to charge the cost of insurance to individual funds. The assets and the liabilities of the internal service fund are included in governmental activities in the statement of net position. 408,000

Vacation Benefits Payable is recognized for earned vacation benefits that are to be used within one year but is not recognized on the balance sheet until due. (810,921)

The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:

Deferred Outflows - Pension	1,739,436	
Deferred Inflows - Pension	(194,865)	
Net Pension Liability	(10,858,476)	(9,313,905)

Long-term liabilities, accrued interest, and vacation benefits that are not due and payable in the current period and therefore are not reported in the funds:

GO Bonds Payable	(2,457,807)	
OPWC Loans Payable	(162,287)	
Capital Leases Payable	(148,302)	
Accrued Interest Payable	(18,050)	
Compensated Absences	(368,698)	(3,155,144)

Net Position of Governmental Activities \$106,593,260

See accompanying notes to the basic financial statements

**Gallia County, Ohio**  
*Statement of Revenues, Expenditures, and Changes in Fund Balances*  
*Governmental Funds*  
*For the Year Ended December 31, 2015*

	General	Motor Vehicle Gasoline Tax	Job and Family Services	Board of Developmental Disabilities	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>						
Property Taxes	\$2,525,151	\$0	\$0	\$1,163,345	\$0	\$3,688,496
Sales Taxes	3,984,441	0	0	0	996,127	4,980,568
Intergovernmental	1,046,513	5,287,362	6,608,807	1,286,310	4,316,761	18,545,753
Charges for Services	1,327,774	117,708	266,514	269,893	2,153,793	4,135,682
Fines and Forfeitures	169,487	8,292	0	0	257,090	434,869
Interest	49,728	3,877	0	0	433	54,038
Rent	63,864	0	11,831	56,179	78,169	210,043
Gifts and Donations	3,200	0	0	5,050	22,830	31,080
Other	300,354	0	8,957	64,959	391,160	765,430
<b>Total Revenues</b>	<b>9,470,512</b>	<b>5,417,239</b>	<b>6,896,109</b>	<b>2,845,736</b>	<b>8,216,363</b>	<b>32,845,959</b>
<b>Expenditures</b>						
Current:						
General Government:						
Legislative and Executive	4,372,062	0	0	0	428,437	4,800,499
Judicial	926,072	0	0	0	1,246,968	2,173,040
Public Safety	2,643,474	0	0	0	2,444,869	5,088,343
Public Works	64,918	5,224,159	0	0	32,696	5,321,773
Health	73,166	0	0	2,599,790	97,869	2,770,825
Human Services	319,054	0	6,816,533	0	1,588,303	8,723,890
Economic Development	0	0	0	0	2,424,331	2,424,331
Debt Service:						
Principal Retirement	1,944	34,007	0	0	244,041	279,992
Interest and Fiscal Charges	155	0	0	0	116,942	117,097
<b>Total Expenditures</b>	<b>8,400,845</b>	<b>5,258,166</b>	<b>6,816,533</b>	<b>2,599,790</b>	<b>8,624,456</b>	<b>31,699,790</b>
<i>Excess of Revenues Over (Under) Expenditures</i>	<b>1,069,667</b>	<b>159,073</b>	<b>79,576</b>	<b>245,946</b>	<b>(408,093)</b>	<b>1,146,169</b>
<b>Other Financing Sources (Uses)</b>						
Insurance Recoveries	193,470	0	0	0	0	193,470
Proceeds of OPWC Loans	0	26,259	0	0	0	26,259
Transfers In	0	0	88,576	0	1,076,287	1,164,863
Transfers Out	(920,511)	0	0	(91,213)	(153,139)	(1,164,863)
<b>Total Other Financing Sources (Uses)</b>	<b>(727,041)</b>	<b>26,259</b>	<b>88,576</b>	<b>(91,213)</b>	<b>923,148</b>	<b>219,729</b>
<b>Net Change in Fund Balance</b>	<b>342,626</b>	<b>185,332</b>	<b>168,152</b>	<b>154,733</b>	<b>515,055</b>	<b>1,365,898</b>
<b>Fund Balances at Beginning of Year</b>	<b>2,110,634</b>	<b>1,526,213</b>	<b>156,668</b>	<b>822,089</b>	<b>4,402,170</b>	<b>9,017,774</b>
<b>Fund Balances at End of Year</b>	<b>\$2,453,260</b>	<b>\$1,711,545</b>	<b>\$324,820</b>	<b>\$976,822</b>	<b>\$4,917,225</b>	<b>\$10,383,672</b>

See accompanying notes to the basic financial statements



**Gallia County, Ohio**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended December 31, 2015*

**Net Change in Fund Balances - Total Governmental Funds** \$1,365,898

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period:

Capital Assets Additions	1,432,614	
Depreciation Expense	<u>(837,885)</u>	594,729

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the amount of the loss on disposal of assets:

(2,866)

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

Delinquent Property Taxes	(6,445)	
Sales Taxes	(468,876)	
Intergovernmental Revenues	(345,224)	
Charges for Services	31,572	
Other Revenues	<u>(122)</u>	(789,095)

Repayments of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position:

General Obligation Bonds Payable	209,829	
OPWC Loan	34,007	
Capital Leases Payable	<u>36,156</u>	279,992

In the statement of activities, interest is accrued on outstanding debt, whereas in governmental funds, interest is expended when due.

998

Loan Proceeds are other financing sources in the governmental funds, but the issuance increases long-term liabilities in the statement of net position:

Proceeds of OPWC Loans		(26,259)
------------------------	--	----------

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

28,150

Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.

1,204,593

Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.

(1,113,560)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds:

Vacation Benefits Payable	(41,832)	
Compensated Absences Payable	<u>(31,015)</u>	<u>(72,847)</u>

**Change in Net Position of Governmental Activities** \$1,469,733

See accompanying notes to the basic financial statements

**Gallia County, Ohio**  
*Statement of Revenues, Expenditures, and Changes  
in Fund Balance - Budget and Actual (Budget Basis)  
General Fund  
For the Year Ended December 31, 2015*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Property Taxes	\$2,273,600	\$2,501,977	\$2,501,977	\$0
Sales Taxes	3,400,000	3,962,670	3,962,670	0
Intergovernmental	1,051,975	1,048,883	1,048,883	0
Charges for Services	1,359,080	1,327,532	1,327,532	0
Fines and Forfeitures	224,585	172,208	172,208	0
Interest	45,600	49,728	49,728	0
Rent	60,000	63,864	63,864	0
Gifts and Donations	1,500	3,200	3,200	0
Other	235,157	313,367	313,367	0
<i>Total Revenues</i>	<u>8,651,497</u>	<u>9,443,429</u>	<u>9,443,429</u>	<u>0</u>
<b>Expenditures</b>				
Current:				
General Government:				
Legislative and Executive	4,187,259	4,414,276	4,411,352	2,924
Judicial	975,559	959,037	956,712	2,325
Public Safety	2,999,839	2,672,988	2,663,162	9,826
Public Works	64,996	64,751	64,751	0
Health	74,529	72,693	72,693	0
Human Services	486,091	336,627	335,745	882
<i>Total Expenditures</i>	<u>8,788,273</u>	<u>8,520,372</u>	<u>8,504,415</u>	<u>15,957</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(136,776)</u>	<u>923,057</u>	<u>939,014</u>	<u>15,957</u>
<b>Other Financing Sources (Uses)</b>				
Insurance Recoveries	0	193,470	193,470	0
Advances In	19,724	133,274	133,274	0
Advances Out	0	(66,034)	(66,034)	0
Transfers Out	(197,986)	(920,511)	(920,511)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(178,262)</u>	<u>(659,801)</u>	<u>(659,801)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	<u>(315,038)</u>	<u>263,256</u>	<u>279,213</u>	<u>15,957</u>
<i>Fund Balance at Beginning of Year</i>	<u>1,292,042</u>	<u>1,292,042</u>	<u>1,292,042</u>	<u>0</u>
Prior Year Encumbrances Appropriated	<u>108,926</u>	<u>108,926</u>	<u>108,926</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u><u>\$1,085,930</u></u>	<u><u>\$1,664,224</u></u>	<u><u>\$1,680,181</u></u>	<u><u>\$15,957</u></u>

See accompanying notes to the basic financial statements

**Gallia County, Ohio**  
*Statement of Revenues, Expenditures, and Changes  
in Fund Balance - Budget and Actual (Budget Basis)*  
**Motor Vehicle Gasoline Tax Fund**  
For the Year Ended December 31, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Intergovernmental	\$4,088,929	\$5,289,661	\$5,289,661	\$0
Charges for Services	170,000	121,124	121,124	0
Fines and Forfeitures	10,000	8,230	8,230	0
Interest	4,600	3,877	3,877	0
Other	10,000	0	0	0
<i>Total Revenues</i>	<u>4,283,529</u>	<u>5,422,892</u>	<u>5,422,892</u>	<u>0</u>
<b>Expenditures</b>				
Current:				
Public Works	4,462,973	5,317,068	5,317,068	0
Debt Service:				
Principal Retirement	0	34,007	34,007	0
<i>Total Expenditures</i>	<u>4,462,973</u>	<u>5,351,075</u>	<u>5,351,075</u>	<u>0</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(179,444)</u>	<u>71,817</u>	<u>71,817</u>	<u>0</u>
<b>Other Financing Sources</b>				
Proceeds of OPWC Loans	0	26,259	26,259	0
<i>Net Change in Fund Balance</i>	(179,444)	98,076	98,076	0
<i>Fund Balance at Beginning of Year</i>	<u>932,000</u>	<u>932,000</u>	<u>932,000</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u><u>\$752,556</u></u>	<u><u>\$1,030,076</u></u>	<u><u>\$1,030,076</u></u>	<u><u>\$0</u></u>

See accompanying notes to the basic financial statements

**Gallia County, Ohio**  
*Statement of Revenues, Expenditures, and Changes  
in Fund Balance - Budget and Actual (Budget Basis)  
Job and Family Services Fund  
For the Year Ended December 31, 2015*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Intergovernmental	\$6,720,753	\$6,566,993	\$6,566,993	\$0
Charges for Services	345,000	266,284	266,284	0
Rent	5,000	11,831	11,831	0
Other	10,180	8,957	8,957	0
<i>Total Revenues</i>	<u>7,080,933</u>	<u>6,854,065</u>	<u>6,854,065</u>	<u>0</u>
<b>Expenditures</b>				
Current:				
Human Services	<u>7,169,509</u>	<u>7,011,622</u>	<u>7,011,622</u>	<u>0</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(88,576)</u>	<u>(157,557)</u>	<u>(157,557)</u>	<u>0</u>
<b>Other Financing Sources</b>				
Transfers In	88,576	88,576	88,576	0
Advances In	<u>0</u>	<u>29,062</u>	<u>29,062</u>	<u>0</u>
<i>Total Other Financing Sources</i>	<u>88,576</u>	<u>117,638</u>	<u>117,638</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	0	(39,919)	(39,919)	0
<i>Fund Balance at Beginning of Year</i>	<u>637,393</u>	<u>637,393</u>	<u>637,393</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u><u>\$637,393</u></u>	<u><u>\$597,474</u></u>	<u><u>\$597,474</u></u>	<u><u>\$0</u></u>

See accompanying notes to the basic financial statements

**Gallia County, Ohio**  
*Statement of Revenues, Expenditures, and Changes  
in Fund Balance - Budget and Actual (Budget Basis)*  
*Board of Developmental Disabilities Fund*  
For the Year Ended December 31, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Property Taxes	\$1,013,650	\$1,127,385	\$1,127,385	\$0
Intergovernmental	1,305,457	1,274,095	1,274,095	0
Charges for Services	413,400	326,074	326,074	0
Rent	64,500	56,179	56,179	0
Gifts and Donations	5,000	5,050	5,050	0
Other	20,600	64,959	64,959	0
<i>Total Revenues</i>	<u>2,822,607</u>	<u>2,853,742</u>	<u>2,853,742</u>	<u>0</u>
<b>Expenditures</b>				
Current:				
Health	<u>2,680,640</u>	<u>2,738,851</u>	<u>2,723,448</u>	<u>15,403</u>
<i>Excess of Revenues Over Expenditures</i>	141,967	114,891	130,294	15,403
<b>Other Financing Uses</b>				
Transfers Out	<u>(91,213)</u>	<u>(91,213)</u>	<u>(91,213)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	50,754	23,678	39,081	15,403
<i>Fund Balance at Beginning of Year</i>	416,904	416,904	416,904	0
Prior Year Encumbrances Appropriated	<u>39,830</u>	<u>39,830</u>	<u>39,830</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u>\$507,488</u>	<u>\$480,412</u>	<u>\$495,815</u>	<u>\$15,403</u>

See accompanying notes to the basic financial statements

**Gallia County, Ohio**  
*Statement of Fund Net Position*  
*Proprietary Funds*  
*December 31, 2015*

	Business-Type Activities	Governmental Activities
	Sewer	Internal Service
<b>Assets</b>		
Current :		
Equity in Pooled Cash and Cash Equivalents	\$2,122,003	\$408,000
Accounts Receivable	135,087	0
<i>Total Current Assets</i>	<i>2,257,090</i>	<i>408,000</i>
Noncurrent:		
Nondepreciable Capital Assets	865,694	0
Depreciable Capital Assets, Net	9,809,963	0
<i>Total Noncurrent Assets</i>	<i>10,675,657</i>	<i>0</i>
<i>Total Assets</i>	<i>12,932,747</i>	<i>408,000</i>
<b>Liabilities</b>		
Current:		
Accounts Payable	13,442	0
Contracts Payable	150,863	0
Accrued Wages Payable	4,746	0
Vacation Benefits Payable	5,025	0
Intergovernmental Payable	8,266	0
Accrued Interest Payable	107,856	0
Interfund Payable	36,312	0
General Obligation Bonds Payable	61,300	0
OPWC Loans Payable	11,167	0
OWDA Loans Payable	454,061	0
<i>Total Current Liabilities</i>	<i>853,038</i>	<i>0</i>
Long-Term:		
Compensated Absences Payable	4,036	0
General Obligation Bonds Payable	3,717,941	0
OPWC Loans Payable	366,917	0
OWDA Loans Payable	1,110,834	0
<i>Total Long-Term Liabilities</i>	<i>5,199,728</i>	<i>0</i>
<i>Total Liabilities</i>	<i>6,052,766</i>	<i>0</i>
<b>Net Position</b>		
Net Investment in Capital Assets	4,802,733	0
Unrestricted	2,077,248	408,000
<i>Total Net Position</i>	<i>\$6,879,981</i>	<i>\$408,000</i>

See accompanying notes to the basic financial statements

**Gallia County, Ohio**  
*Statement of Revenues, Expenses,  
and Changes in Fund Net Position*  
*Proprietary Funds*  
For the Year December 31, 2015

	Business-Type Activities	Governmental Activities
	Sewer	Internal Service
<b>Operating Revenues</b>		
Charges for Services	\$608,419	\$0
Other Operating Revenues	8,540	397,308
<i>Total Operating Revenues</i>	<u>616,959</u>	<u>397,308</u>
<b>Operating Expenses</b>		
Salaries and Wages	88,953	369,158
Fringe Benefits	20,889	0
Contractual Services	282,112	0
Materials and Supplies	30,690	0
Depreciation	332,723	0
Other	25,005	0
<i>Total Operating Expenses</i>	<u>780,372</u>	<u>369,158</u>
<i>Operating Income (Loss)</i>	<u>(163,413)</u>	<u>28,150</u>
<b>Non-Operating Revenues (Expenses)</b>		
Interest Income	5,973	0
Interest and Fiscal Charges	(134,900)	0
<i>Total Non-Operating Revenues (Expenses)</i>	<u>(128,927)</u>	<u>0</u>
<i>Income (Loss) before Transfers and Contributions</i>	(292,340)	28,150
Capital Contributions	210,042	0
<i>Change in Net Position</i>	(82,298)	28,150
<i>Net Position at Beginning of Year</i>	<u>6,962,279</u>	<u>379,850</u>
<i>Net Position at End of Year</i>	<u><u>\$6,879,981</u></u>	<u><u>\$408,000</u></u>

See accompanying notes to the basic financial statements

**Gallia County, Ohio**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended December 31, 2015**

	Business-Type Activities	Governmental Activities
	Sewer	Internal Service
<b><i>Increase (Decrease) in Cash and Cash Equivalents</i></b>		
<b>Cash Flows from Operating Activities:</b>		
Cash Received from Customers	\$608,104	\$0
Cash Received from Operating Receipts	0	397,308
Cash Payments for Employee Services and Benefits	(104,534)	(369,158)
Cash Payments to Suppliers for Goods and Services	(328,226)	0
Other Operating Revenues	8,540	0
Other Operating Expenses	(25,005)	0
	<u>158,879</u>	<u>28,150</u>
<b><i>Net Cash Provided by Operating Activities</i></b>		
<b>Cash Flows from Non-Capital Financing Activities:</b>		
Advances In	36,312	0
Advances Out	(125,776)	0
	<u>(89,464)</u>	<u>0</u>
<b><i>Net Cash Used for Non-Capital Financing Activities</i></b>		
<b>Cash Flows from Investing Activities</b>		
Investment Earnings	5,973	0
	<u>5,973</u>	<u>0</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>		
Acquisition of Capital Assets	(80,875)	0
Proceeds from OWDA Loans	109,113	0
Proceeds of Bonds	349,841	0
Principal Paid on Debt	(170,267)	0
Interest Paid on Debt	(136,172)	0
Capital Contributions	210,042	0
	<u>281,682</u>	<u>0</u>
<b><i>Net Cash Provided by Capital and Related Financing Activities</i></b>		
<b><i>Net Increase in Cash and Cash Equivalents</i></b>	357,070	28,150
<b><i>Cash and Cash Equivalents at Beginning of Year</i></b>	1,764,933	379,850
<b><i>Cash and Cash Equivalents at End of Year</i></b>	<u>\$2,122,003</u>	<u>\$408,000</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</b>		
<i>Income (Loss)</i>	(\$163,413)	\$28,150
<b>Adjustments:</b>		
Depreciation	332,723	0
(Increase) Decrease in Assets:		
Accounts Receivable	(315)	0
Increase (Decrease) in Liabilities:		
Accounts Payable	(11,989)	0
Accrued Wages Payable	826	0
Intergovernmental Payable	(3,967)	0
Interfund Payable	(158)	0
Vacation Benefits Payable	1,136	0
Compensated Absences Payable	4,036	0
	<u>\$158,879</u>	<u>\$28,150</u>
<b><i>Net Cash Provided by Operating Activities</i></b>	<u>\$158,879</u>	<u>\$28,150</u>

See accompanying notes to the basic financial statements



**Gallia County, Ohio**  
*Statement of Fiduciary Assets and Liabilities*  
*Agency Funds*  
*December 31, 2015*

**Assets**

Equity in Pooled Cash and Cash Equivalents	\$2,360,020
Cash and Cash Equivalents in Segregated Accounts	587,692
Receivables:	
Intergovernmental	1,481,815
Accounts	118,522
Property Taxes	29,453,755
Special Assessments	<u>55,882</u>
<i>Total Assets</i>	<u><u>\$34,057,686</u></u>

**Liabilities**

Intergovernmental Payable	\$31,083,973
Deposits Held and Due to Others	<u>2,973,713</u>
<i>Total Liabilities</i>	<u><u>\$34,057,686</u></u>

See accompanying notes to the basic financial statements

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**Gallia County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2015*

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**NOTE 1 - REPORTING ENTITY**

Gallia County, Ohio (the County), was created in 1803. The County is governed by a board of three Commissioners elected by the voters of the County. Other officials elected by the voters of the County that manage various segments of the County's operations are the County Auditor, County Treasurer, Recorder, Clerk of Courts, Coroner, Engineer, Prosecuting Attorney, Sheriff, a Common Pleas Court Judge, and a Probate/Juvenile Court Judge. Although the elected officials manage the internal operations of their respective departments, the County Commissioners authorize expenditures as well as serve as the budget and taxing authority, contracting body, and the chief administrators of public services for the entire County.

A reporting entity is composed of the primary government, component units, and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the County consists of all funds, departments, boards, and agencies that are not legally separate from the County. For Gallia County, this includes the Gallia County Board of Developmental Disabilities, Gallia County Children Services Board, and all departments and activities that are directly operated by the elected County officials.

Component units are legally separate organizations for which the County is financially accountable. The County is financially accountable for an organization if the County appoints a voting majority of the program's governing board and (1) the County is able to significantly influence the programs of services performed or provided by the organization; or (2) the County is legally entitled to or can access the organization's resources; the County is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the County is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent upon the County in that the County 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. The County has no material component units.

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

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

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

***Gallia County Soil and Water Conservation District*** is statutorily created as a separate and distinct political subdivision of the State. The five Supervisors of the Soil and Water Conservation District are elected officials authorized to contract and sue on behalf of the District. The Supervisors adopt their own budget, authorize District expenditures, hire and fire staff, and do not rely on the County to finance deficits. The District submits a budget to the Board of County Commissioners for inclusion on the County's annual appropriation resolution. The Ohio Department of Natural Resources provides funding to match what is provided by the County out of the General Fund.

**Gallia County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2015*

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

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

**Gallia County Family and Children First Council** is controlled by an oversight committee. The chair of the County Commissioners serves on the committee. The County is the fiscal agent for the Council's monies.

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

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

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

The financial statements of the County have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The most significant of the County's accounting policies are described below.

**A. Basis of Presentation**

The County'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.

**Gallia County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2015*

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

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

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

**B. Fund Accounting**

The County uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary, and fiduciary.

**Governmental Funds** Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and deferred outflows of resources, and liabilities and deferred inflows of resources is reported as fund balance. The following are the County’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 County for any purpose, provided it is expended and transferred according to the general laws of Ohio.

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

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

**Gallia County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2015*

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

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

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

**Enterprise Fund** Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following is a description of the County's Enterprise Fund:

**Sewer Fund** This fund accounts for sanitary sewer services provided to County individual and commercial users. The costs of providing these services are financed primarily through user charges.

**Internal Service Funds** Internal service funds account for the financing of services provided by one department or agency to other departments or agencies of the County on a cost-reimbursement basis. The internal service fund accounts for funds held in reserve to cover excess deductible costs in providing health insurance for the County's employees.

**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 County under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the County's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

The County's fiduciary funds are all classified as agency funds. The agency funds account for assets held by the County as agent for the Board of Health and other districts and entities and for various taxes, assessments, and state shared resources collected on behalf of and distributed to other local governments.

*C. Measurement Focus*

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

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

**Gallia County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2015*

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

*D. Basis of Accounting*

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

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

Nonexchange transactions, in which the County receives value without directly giving equal value in return, include sales taxes, property taxes, grants, entitlements, and donations. On an accrual basis, revenue from sales taxes is recognized in the period in which the taxable sale takes place. Revenue from property taxes is recognized in the year for which the taxes are levied (see Note 7). Revenue from grants, entitlements, and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the County must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the County on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year end: sales tax (see Note 8), interest, federal and state grants and subsidies, state-levied locally shared taxes (including motor vehicle license fees and gasoline taxes), fees, and rentals.

Unearned revenue represents amounts under the accrual and modified accrual basis of accounting for which asset recognition criteria have been met, but for which revenue recognition criteria have not yet been met because such amounts have not yet been earned.

**Deferred Outflows/Inflows of Resources** In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the County, deferred outflows of resources are reported on the government-wide statement of net position for pension. The deferred outflows of resources related to pension are explained in Note 11.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the County, deferred inflows of resources include property taxes, pension, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2015, but which were levied to finance fiscal year



**Gallia County, Ohio**  
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2016 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the County, unavailable revenue includes delinquent property taxes, intergovernmental grants, interest, and student fees. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities are found in Note 11.

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

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

*E. 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 appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the County Commissioners may appropriate. The appropriations resolution is the County Commissioners' authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the County Commissioners. The level of control has been established by the County Commissioners at the fund, function, and object level.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the County Auditor. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources issued during 2015 upon which the final appropriations were based.

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

*F. Cash and Cash Equivalents*

To improve cash management, cash received by the County Treasurer is pooled. Cash balances, except cash held by a fiscal agent or held in segregated accounts, are pooled and invested in short-term investments in order to provide improved cash management. Individual fund integrity is maintained through the County's records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

The Gallia County Board of Developmental Disabilities has an account held separate from the County's pooled accounts. This depository account is presented as "Cash and Cash Equivalents with Fiscal Agents" since it is not deposited into the County's treasury.

Various departments within the County have segregated bank accounts for monies held separate from the County's central bank account. These accounts are presented as "Cash and Cash Equivalents in Segregated Accounts" since they are not required to be deposited with the County Treasurer.



**Gallia County, Ohio**  
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During 2015, investments were limited to the Soil and Water Conservation District's STAR Ohio segregated account. Investments are reported at fair value, which is based on quoted market prices.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's net asset value per share which is the price the investment could be sold at December 31, 2015.

Investment procedures are restricted by the provisions of the Ohio Revised Code. County policy requires interest earned on investments to be credited to the General Fund except where there is a legal requirement or there are bond proceeds for capital improvements. Interest revenue credited to the General Fund during 2015 amounted to \$49,728, which includes \$43,053 assigned from other County funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the County are considered to be cash equivalents.

*G. Inventory*

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventory consists of expendable supplies held for consumption.

*H. Restricted Assets*

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. 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 County are reported as restricted.

*I. Receivables and Payables*

Receivables and payables are recorded on the County's financial statements to the extent that the amounts are determined material and substantiated not only by supporting documentation, but also, by a reasonable, systematic method of determining their existence, completeness, valuation, and in the case of receivables, collectability.

Using these criteria, the County has elected to not record child support arrearages. These amounts, while potentially significant, are not considered measurable, and because collections are often significantly in arrears, the County is unable to determine a reasonable value.

*J. Prepaid Items*

Payments made to vendors for services that will benefit periods beyond December 31, 2015, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

**Gallia County, Ohio**  
*Notes to the Basic Financial Statements*  
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*K. Interfund Balances*

On fund financial statements, receivables and payables resulting from short-term interfund loans or interfund services provided and used are classified as "interfund receivables/payables." These amounts are eliminated in the governmental and business-type activities columns of the statement of net position, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances.

*L. Capital Assets*

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The County maintains a capitalization threshold of five thousand dollars, with the exception of infrastructure. The County maintains a capitalization threshold of \$50,000 for additions to road infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of enterprise fund capital assets is also capitalized.

All capital assets are depreciated except for land, general infrastructure, and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

	Governmental Activities	Business-Type Activities
Land Improvements	20 - 40 Years	N/A
Buildings and Improvements	10 - 40 Years	N/A
Furniture, Fixtures, and Equipment	5 - 30 Years	5 - 30 Years
Vehicles	5 - 20 Years	5 - 20 Years
Infrastructure	N/A	15 - 40 Years

The County's infrastructure consists of County roads and bridges, certain culverts, and sewer systems. The County reports infrastructure acquired prior to December 31, 1980.

County road and bridges (infrastructure reported in the Governmental activities column of the statement of net position) are presented using the modified approach and therefore these assets are not depreciated. In addition, expenditures made by the County to preserve existing roads or bridges are expensed rather than capitalized. Only expenditures for additions or improvements are capitalized. Additional disclosures about the condition assessments and maintenance cost regarding the County's roads and bridges appear in the Required Supplementary Information.

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*Notes to the Basic Financial Statements*  
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*M. Capitalization of Interest*

It is the County's policy to not capitalize net interest on proprietary fund construction projects until substantial completion of the project. The amount of capitalized interest equals the difference between the interest cost associated with the tax exempt borrowing used to finance the project and the interest earned from temporary investment of the debt proceeds. Capitalized interest is amortized on the straight-line basis over the estimated useful life of the asset.

*N. Compensated Absences*

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

Vacation and compensatory time benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means.

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

*O. Accrued Liabilities and Long-term Obligations*

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

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

*P. Fund Balance*

Fund balance is divided into five classifications based primarily on the extent to which the County 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. It also includes the long-term amount of loans and notes receivable, as well as property acquired for resale, unless the use of proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

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*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2015*

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**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 or enabling legislation (County resolutions).

Enabling legislation authorizes the County to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the County can be compelled by an external party, such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specific by the legislation.

**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 County 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. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by County Commissioners, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints are not considered to be legally enforceable. 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 County for specific purposes but do not meet the criteria to be classified as restricted or committed. In the General Fund, assigned amounts represent intended uses established by the County Commissioners or a County 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 resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The County 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.

**Q. Net Position**

Net Position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for children services, child support, dog and kennel, marriage license, and miscellaneous other activities.

The County applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

**Gallia County, Ohio**  
*Notes to the Basic Financial Statements*  
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*R. Pensions*

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

*S. Operating Revenues and Expenses*

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the County, these revenues are charges for services for wastewater treatment and self-insurance programs. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. Revenues and expenses not meeting these definitions are reported as non-operating.

*T. Internal Activity*

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 for interfund services provided and used are not eliminated.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

*U. Extraordinary and Special Items*

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the County and that are either unusual in nature or infrequent in occurrence. The County did not have any extraordinary or special items in 2015.

*V. Estimates*

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

**NOTE 3 - CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF NET POSITION**

For 2015, the County implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68." GASB 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditure.

At December 31, 2014, the County's Net Investment in Capital Assets was overstated due to improper useful life valuations and assets incorrectly included as capital assets. During 2015, the County

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reevaluated the useful life of a portion of the Courthouse to properly account for the expected use of the building. The County also received information that bridges, previously included as capital assets, were replaced with culverts, therefore not meeting the criteria to be included as capital assets.

The implementation of this pronouncement and the overstatement of the Net Investment in Capital Assets had the following effect on net position as reported December 31, 2014:

	Governmental Activities
Net position December 31, 2014	\$114,852,722
Adjustments:	
GASB 68	
Net Pension Liability	(10,400,299)
Deferred Outflow - Payments Subsequent to Measurement Date	995,361
Overstatement of Net Investment of Capital Assets	(324,257)
Restated Net Position December 31, 2014	\$105,123,527

Other than employer contributions subsequent to the measurement date, the County made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING**

While reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statements of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Budget Basis) for the General and major special revenue funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Outstanding year end encumbrances are treated as expenditures (budget basis) rather than restricted, committed, or assigned fund balance (GAAP basis).
4. Unrecorded cash and interest, segregated accounts, and prepaid items are reported on the balance sheet (GAAP) but not on the budgetary basis.
5. Cash that is held by the agency funds on behalf of County funds on a budget basis are allocated and reported on the balance sheet (GAAP basis) in the appropriate County fund.
6. Advances in and advances out are operating transactions (budget) as opposed to balance sheet transactions (cash).

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



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	General	Motor Vehicle Gasoline Tax	Job and Family Services	Board of Developmental Disabilities
GAAP Basis	\$342,626	\$185,332	\$168,152	\$154,733
Revenue Accruals	(6,497)	5,653	(42,044)	17,677
Beginning of the Year:				
Cash with Fiscal Agent	0	0	0	320,078
Unrecorded Cash	35,078	0	0	0
Cash in Segregated Accounts	10,213	0	0	0
Prepaid Items	66,614	0	0	0
Agency Fund Cash				
Allocation	58,144	0	0	26,289
End of the Year:				
Cash with Fiscal Agent	0	0	0	(320,078)
Unrecorded Cash	(33,118)	0	0	0
Cash in Segregated Accounts	(9,585)	0	0	0
Prepaid Items	(61,493)	0	0	0
Agency Fund Cash				
Allocation	(81,318)	0	0	(35,960)
Expenditure Accruals	7,141	(58,902)	(195,089)	(81,861)
Advances In	133,274	0	29,062	0
Advances Out	(66,034)	0	0	0
Transfers Out	0	(34,007)	0	0
Encumbrances	(115,832)	0	0	(41,797)
Budget Basis	<u>\$279,213</u>	<u>\$98,076</u>	<u>(\$39,919)</u>	<u>\$39,081</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 County 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 are presented below:

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Fund Balances	General	Motor Vehicle Gasoline Tax	Job and Family Services	Board of Developmental Disabilities	Other Governmental Funds	Totals
Nonspendable:						
Inventory	\$0	\$217,592	\$0	\$0	\$0	\$217,592
Prepays	61,493	0	0	0	0	61,493
Unclaimed Monies	10,468	0	0	0	0	10,468
<i>Total Nonspendable</i>	<u>71,961</u>	<u>217,592</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>289,553</u>
Restricted for:						
Road and Bridge Projects	0	1,493,953	0	0	0	1,493,953
Emergency Management Services	0	0	0	0	852,235	852,235
Court Operations	0	0	0	0	1,129,480	1,129,480
Real Estate Assessments	0	0	0	0	805,753	805,753
Developmental Disabilities	0	0	0	976,822	0	976,822
Job and Family Services	0	0	324,820	0	0	324,820
Economic Development	0	0	0	0	983,570	983,570
Children Services Operations	0	0	0	0	131,535	131,535
Child Support Services	0	0	0	0	700,084	700,084
Debt Service	0	0	0	0	92,978	92,978
Other Purposes	0	0	0	0	13,638	13,638
<i>Total Restricted</i>	<u>0</u>	<u>1,493,953</u>	<u>324,820</u>	<u>976,822</u>	<u>4,709,273</u>	<u>7,504,868</u>
Committed to:						
Recorder's Services	400	0	0	0	0	400
Emergency Medical Services	0	0	0	0	119,320	119,320
Waste Management	0	0	0	0	88,632	88,632
<i>Total Committed</i>	<u>400</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>207,952</u>	<u>208,352</u>
Assigned to:						
Purchases on Order	43,495	0	0	0	0	43,495
Year 2016 Appropriations	263,688	0	0	0	0	263,688
<i>Total Assigned</i>	<u>307,183</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>307,183</u>
Unassigned:	<u>2,073,716</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,073,716</u>
<i>Total Fund Balances</i>	<u>\$2,453,260</u>	<u>\$1,711,545</u>	<u>\$324,820</u>	<u>\$976,822</u>	<u>\$4,917,225</u>	<u>\$10,383,672</u>

**NOTE 6 - DEPOSITS AND INVESTMENTS**

Monies held by the County are classified by State statute into two categories, active and inactive. Active monies are public monies determined to be necessary to meet current demands upon the County treasury. Active monies must be maintained either as cash in the County treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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



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*Notes to the Basic Financial Statements*  
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Monies held by the County which are not considered active are classified as inactive. Inactive monies may be deposited or invested in the following securities provided a written investment policy has been filed with the Ohio Auditor of State:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States; or any book entry, zero-coupon United States treasury security that is a direct obligation of the United States;
2. Bonds, notes, debentures, or any other obligation or security 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 and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above 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;
4. Bonds and other obligations of the State of Ohio or its political subdivisions, provided that such political subdivisions are located wholly or partly within the County;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations describe in division (1) or (2) above and repurchase agreements secured by such obligations, provided that these investments are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Securities lending agreements in which the County lends securities and the eligible institution agrees to simultaneously exchange similar securities or cash, equal value for equal value;
9. Up to twenty-five percent of the County's average portfolio in either of the following:
  - a. Commercial paper notes in entities incorporated under the laws of Ohio or any other State that have assets exceeding five hundred million dollars, which are rated in the highest qualification established by two nationally recognized standard rating services, which do not exceed ten percent of the value of the outstanding commercial paper of the issuing corporation and which mature within 270 days after purchase.
  - b. Bankers acceptances eligible for purchase by the federal reserve system and which mature within 180 days after purchase;
10. Fifteen percent of the County's average portfolio in notes issued by U.S. corporations or by depository institutions that are doing business under authority granted by the U.S. provided that the notes are rated in the second highest or higher category by at least two nationally recognized standard rating services at the time of purchase and the notes mature within two years from the date of purchase;

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11. No-load money market mutual funds rated in the highest category at the time of purchase by at least one nationally recognized standard rating service consisting exclusively of obligations guaranteed by the United States, securities issued by a federal government agency or instrumentality, and/or highly rated commercial paper; and,
12. One percent of the County's average portfolio in debt interests rated at the time of purchase in the three highest categories by two nationally recognized standard rating services and issued by foreign nations diplomatically recognized by the United States government.

Reverse repurchase agreements, investments in derivatives, and investments in stripped principal or interest obligations that are not issued or guaranteed by the United States, are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Other than corporate notes, commercial paper, and bankers' acceptances, an investment must mature within five years from the date of settlement unless matched to a specific obligation or debt of the County. Investments must be purchased with the expectation that they will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**Cash on Hand** At year end, the County had \$31,658 in undeposited cash on hand which is included as a part of "Equity in Pooled Cash and Cash Equivalents".

**Deposits** Custodial credit risk for deposits is the risk that in the event of bank failure, the County will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$13,196,941 of the County's bank balance of \$14,109,700 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 County to a successful claim by the FDIC. This does not include \$320,078 in Cash and Cash Equivalents with fiscal agents, which is held by Southern Ohio Council of Governments which cannot be disclosed by risk because it is co-mingled with other Counties' monies.

The County 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 County or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with 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 105 percent of the deposits being secured.

**Investments** As of December 31, 2015, the County had the following investment:

	<u>Fair Value</u>	<u>Maturity</u>	<u>Rating</u>	<u>Rating Agency</u>
Star Ohio	\$53,480	Average 49.4 days	AAAm	S&P

**Interest Rate Risk:** The County's investment policy addresses interest rate risk to the extent that it allows the Treasurer to invest funds to a maximum maturity of five years, and allows for the withdrawal of funds from approved public depositories or sell negotiable instruments prior to maturity in accord with the law. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the County, and that an investment must be purchased with the expectation that it will be held to maturity.

**Gallia County, Ohio**  
*Notes to the Basic Financial Statements*  
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**Credit Risk:** STAR Ohio carries a rating of AAAM by Standard and Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The County has no investment policy that would further limit its investment choices.

**NOTE 7 - RECEIVABLES**

Receivables at December 31, 2015, consisted of property taxes, sales taxes, accounts (billings for user fees including unbilled utility services), loans, intergovernmental receivables arising from entitlements and shared revenues, and interfund. All receivables, except property taxes and a portion of the loan receivable, are expected to be received within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

**A. Property Taxes**

Property taxes include amounts levied against all real and public utility property located in the County. Property tax revenue received during 2015 for real and public utility property taxes represents collections of 2014 taxes.

2015 real property taxes were levied after October 1, 2015, on the assessed value as of January 1, 2015, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2015 real property taxes are collected in and intended to finance 2016.

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. 2015 public utility property taxes which became a lien December 31, 2014, are levied after October 1, 2015, and are collected in 2016 with real property taxes.

The full tax rate for all County operations for the year ended December 31, 2015, was \$8.00 per \$1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2015 property tax receipts were based are as follows:

Real Property	\$511,104,910
Public Utility Tangible Personal Property	<u>290,749,290</u>
Total Assessed Value	<u><u>\$801,854,200</u></u>

The County Treasurer collects property taxes on behalf of all taxing districts in the County. The County Auditor periodically remits to the taxing districts their portion of the taxes collected. The collection and distribution of taxes for all subdivisions within the County, excluding the County itself, is accounted for through agency funds. The amount of the County's tax collections is accounted for within the applicable funds. Property taxes receivable represents real and public utility taxes and outstanding delinquencies which were measurable as of December 31, 2015, and for which there was an enforceable legal claim. In governmental funds, the portion of the receivable not levied to finance 2015 operations is offset to deferred inflows of resources – property taxes. On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on the modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

**Gallia County, Ohio**  
*Notes to the Basic Financial Statements*  
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**B. Loans Receivable**

The Community Development Block Grant Special Revenue Fund reflects a loan receivable of \$701,239. This amount is for the principal owed to the County for State Industrial Site Improvement Fund Grant monies and local monies used to construct a speculative building that was sold to a local manufacturing company and financed by the County. The loan bears no interest. This loan is to be repaid over a 20 year period. The amount scheduled for collection during the subsequent year is \$44,999.

**C. Intergovernmental Receivables**

A summary of intergovernmental receivables follows:

<b>Governmental Activities</b>	<u>Amounts</u>
Gas Excise Tax	\$1,153,241
Motor Vehicle License Tax	555,649
S18 Special Education Grant	217,359
Casino Tax	184,159
Homestead and Rollback	173,326
Local Government	164,541
Board of Developmental Disabilities Annual Subsidies	77,626
Youth Services Grant	69,989
Prisoner Housing	68,514
Victims of Crime Act - Victim Assistance	42,867
Community Based Corrections Program Grant	35,050
Port Security Grant	29,493
Election Expense Reimbursement	27,647
Therapy Services Reimbursements	26,682
Title XX	20,993
Special Education Part B- IDEA	19,447
Emergency Management Performance Grant	9,232
Early Childhood Special Education	8,145
Federal Lands Access Program Grant	8,113
Title IV-D	7,626
Miscellaneous	7,066
Ohio Department of Transportation Grant	6,744
Other Government Court Fines	5,546
Defense of Indigents	3,750
School Lunch Reimbursement	3,450
Board of Developmental Disabilities Reimbursements	2,872
Job and Family Services Reimbursements	785
Estate Tax	205
	<u>\$2,930,117</u>

**NOTE 8 - PERMISSIVE SALES AND USE TAX**

On November 17, 1981, the County Commissioners adopted, by resolution, a one-half percent tax on all retail sales made in the County and on the storage, use, or consumption in the County of tangible personal property, including automobiles, not subject to the sales tax. On March 5, 1987, the County Commissioners adopted, by resolution, a proposal for an additional one-half percent tax as allowed by Sections 5705.026 and 5705.023, Revised Code, which was approved by the voters at a special election held on May 5, 1987. On August 18, 1994, the County Commissioners adopted, by resolution, a proposal for an additional one-quarter of one percent tax for the implementation of a county-wide 9-1-1 system, as allowed by Sections 5739.026 and 5741.023 of the Revised Code, which was voted on and passed by the

**Gallia County, Ohio**  
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voters on November 8, 1994. The tax for the 9-1-1 system is approved for a period of five years. The most recent renewal was approved on November 16, 2009.

Vendor collections of the tax are paid to the State Treasurer by the twenty-third day of the month following collection. The State Tax Commissioner certifies to the Office of Budget and Management (OBM) the amount of the tax to be returned to the County. The Tax Commissioner's certification must be made within forty-five days after the end of each month. OBM then has five days in which to draw the warrant payable to the County.

In 2015, the General Fund received \$3,984,441 and the 9-1-1 Special Revenue Fund received \$996,127 in sales and use tax revenue. A receivable is recognized at year end for amounts that will be received from sales which occurred during 2015.

**NOTE 9 - CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2015, was as follows:

	Restated Balance at 12/31/14	Additions	Deductions	Balance at 12/31/15
<b>Governmental Activities:</b>				
Capital Assets not being Depreciated:				
Land	\$648,565	\$0	\$0	\$648,565
Infrastructure	94,255,105	526,981	(28,437)	94,753,649
Construction in Progress	479,356	834,470	(434,871)	878,955
Total Capital Assets not being Depreciated	<u>95,383,026</u>	<u>1,361,451</u>	<u>(463,308)</u>	<u>96,281,169</u>
Depreciable Capital Assets:				
Land Improvements	130,657	0	0	130,657
Buildings and Improvements	13,644,201	0	0	13,644,201
Furniture, Fixtures, and Equipment	5,868,558	31,884	(62,691)	5,837,751
Vehicles	3,618,867	502,587	0	4,121,454
Total Depreciable Capital Assets	<u>23,262,283</u>	<u>534,471</u>	<u>(62,691)</u>	<u>23,734,063</u>
Less Accumulated Depreciation:				
Land Improvements	(98,445)	(4,723)	0	(103,168)
Buildings and Improvements	(5,298,425)	(336,075)	0	(5,634,500)
Furniture, Fixtures, and Equipment	(4,420,281)	(221,989)	59,825	(4,582,445)
Vehicles	(2,627,248)	(275,098)	0	(2,902,346)
Total Accumulated Depreciation	<u>(12,444,399)</u>	<u>(837,885) *</u>	<u>59,825</u>	<u>(13,222,459)</u>
Total Capital Assets being Depreciated, Net	<u>10,817,884</u>	<u>(303,414)</u>	<u>(2,866)</u>	<u>10,511,604</u>
Governmental Activities Capital Assets, Net	<u>\$106,200,910</u>	<u>\$1,058,037</u>	<u>(\$466,174)</u>	<u>\$106,792,773</u>

\* Depreciation expense was charged to governmental activities as follows:

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General Government:	
Legislative and Executive	\$145,558
Judicial	8,343
Public Safety	186,721
Public Works	220,864
Health	163,458
Human Services	43,908
Economic Development	69,033
Total Depreciation Expense	<u>\$837,885</u>

	Balance at 12/31/14	Additions	Deductions	Balance at 12/31/15
<b>Business-Type Activities:</b>				
Capital Assets not being Depreciated:				
Construction in Progress	\$6,355,822	\$222,356	\$5,712,484	\$865,694
Depreciable Capital Assets:				
Infrastructure	7,159,687	5,684,048	0	12,843,735
Furniture, Fixtures, and Equipment	59,868	0	0	59,868
Vehicles	24,438	28,436	0	52,874
Total Capital Assets being Depreciated	7,243,993	5,712,484	0	12,956,477
Less Accumulated Depreciation:				
Infrastructure	(2,769,868)	(321,865)	0	(3,091,733)
Furniture, Fixtures, and Equipment	(28,649)	(4,249)	0	(32,898)
Vehicles	(15,274)	(6,609)	0	(21,883)
Total Accumulated Depreciation	(2,813,791)	(332,723)	0	(3,146,514)
Total Capital Assets being Depreciated, Net	4,430,202	5,379,761	0	9,809,963
Business-Type Activities Capital Assets, Net	<u>\$10,786,024</u>	<u>\$5,602,117</u>	<u>\$5,712,484</u>	<u>\$10,675,657</u>

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

**NOTE 10 - RISK MANAGEMENT**

*A. Property and Liability*

The County 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. During 2015, the County contracted with the County Risk Sharing Authority, Inc. (CORSA), an insurance purchasing pool (see Note 21A), for liability, auto, and crime insurance. CORSA, a non-profit corporation sponsored by the County Commissioners of Ohio, was created to provide affordable liability, property, casualty, and crime insurance coverage for its members and was established May 12, 1987. Coverage provided by the program and applicable deductibles are as follows:



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Property	Deductible	Limits of Coverage
Real Property	\$2,500	\$65,812,180
General Liability	2,500	1,000,000 Per Occurrence
Law Enforcement	2,500	1,000,000 Per Occurrence
Equipment Breakdown	2,500	100,000,000
Medical Expense:	2,500	5,000/50,000
Employer's Liability (Stop Gap)	2,500	No Annual Aggregate
Electronic Equipment/Media Coverage:		
Electronic Media	2,500	250,000 Per Occurrence
Extra Expense	2,500	25,000 Per Occurrence
Crime Coverage:		
Theft, Disappearance, Destruction	2,500	1,000,000 Per Occurrence
Employee Dishonesty	0	1,000,000 Per Occurrence
Forgery and Alteration	2,500	1,000,000 Per Occurrence
Computer Fraud	2,500	500,000 Per Occurrence
Automobile	2,500	1,000,000 Per Occurrence

Settled claims have not exceeded coverage in any of the past three years. There has been no significant reduction in insurance coverage from the prior year.

**B. Workers' Compensation**

For 2015, the County participated in the County Commissioners Association of Ohio Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool (see Note 21B). The Plan is intended to achieve lower workers' compensation rates while establishing safer working conditions and environments for the participants. The workers' compensation experience of the participating Counties is calculated as one experience and a common premium rate is applied to all participants in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. In order to allocate the savings derived by formation of the Plan, and to maximize the number of participants in the Plan, the Plan's executive committee annually calculates the total savings which accrued to the Plan through its formation. This savings is then compared to the overall savings percentage of the Plan. The Plan's executive committee then collects rate contributions from or pays rate equalization rebates to the various participants. Participation in the Plan is limited to Counties that can meet the Plan's selection criteria. The firm of Gates McDonald, Inc. provides administrative, cost control and actuarial services to the Plan. Each year, the County pays an enrollment fee to the Plan to cover the costs of administering the program.

The County may withdraw from the Plan if written notice is provided sixty days prior to the prescribed application deadline of the Ohio Bureau of Workers' Compensation. However, the participant is not relieved of the obligation to pay any amounts owed to the Plan prior to withdrawal, and any participant leaving the Plan allows the representative of the Plan to access loss experience for three years following the last year of participation.

**C. Medical Expense Reimbursement Plan**

The County has a Medical Expense Reimbursement Plan, Max 105, to reimburse eligible employees (those that are participating in the County's health plan) for the portion of their and their dependent's health claims. The Max 105 program is a combination of benefits that are provided by the County and Medical Mutual. The County's health plan with Medical Mutual covers the employees' major medical costs. The policy is a high deductible plan. The Max 105 program covers the difference between the high deductible plan with Medical Mutual and the employees' personal deductible.

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The purpose of the Max 105 program is to reimburse providers for employees covered under the Max 105 program for a portion of the uninsured medical expenses they incur each year while they are employed with the County and the Max 105 remains in effect. It is to help the employee and their dependents receive the medical care needed in the most cost-effective manner possible.

The claims paid are those submitted after the employee's deductible amount has been reached, but before the employer's health plan deductible with Medical Mutual has been reached. Claims covered are for amounts applied to the medical deductible and co-insurance expenses incurred during the plan year, up to the employer's health plan annual deductible amount with Medical Mutual.

**NOTE 11 - DEFINED BENEFIT PENSION PLANS**

***Net Pension Liability***

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the County's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the County's obligation for this liability to annually required payments. The County cannot control benefit terms or the manner in which pensions are financed; however, the County does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

***Plan Description – Ohio Public Employees Retirement System (OPERS)***

Plan Description - County employees, other than teachers employed by the Board of Developmental Disabilities, 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. County 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.



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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):

<b>Group A</b>	<b>Group B</b>	<b>Group C</b>
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
<b>State and Local</b>	<b>State and Local</b>	<b>State and Local</b>
<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
<b>Public Safety</b>	<b>Public Safety</b>	<b>Public Safety</b>
<b>Age and Service Requirements:</b> Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	<b>Age and Service Requirements:</b> Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	<b>Age and Service Requirements:</b> Age 52 with 25 years of service credit or Age 56 with 15 years of service credit
<b>Law Enforcement</b>	<b>Law Enforcement</b>	<b>Law Enforcement</b>
<b>Age and Service Requirements:</b> Age 52 with 15 years of service credit	<b>Age and Service Requirements:</b> Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	<b>Age and Service Requirements:</b> Age 48 with 25 years of service credit or Age 56 with 15 years of service credit
<b>Public Safety and Law Enforcement</b>	<b>Public Safety and Law Enforcement</b>	<b>Public Safety and Law Enforcement</b>
<b>Formula:</b> 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	<b>Formula:</b> 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	<b>Formula:</b> 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.

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

	State and Local	Public Safety	Law Enforcement
<b>2015 Statutory Maximum Contribution Rates</b>			
Employer	14.0%	18.1%	18.1%
Employee	10.0%	*	**
<b>2015 Actual Contribution Rates</b>			
Employer:			
Pension	12.0%	16.1%	16.1%
Post-employment Health Care Benefits	2.0	2.0	2.0
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 County's contractually required contribution was \$1,131,895 for 2015. Of this amount, \$58,269 is reported as an intergovernmental payable.

***Plan Description - State Teachers Retirement System (STRS)***

Plan Description – County licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information, and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307.

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five year of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined

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benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 11 percent of the 12 percent member rate goes to the DC Plan and 1 percent goes to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. Through June 30, 2015, the employer rate was 14 percent and the member rate was 12 percent of covered payroll. The statutory employer rate for fiscal year 2016 and subsequent years is 14 percent. The statutory member contribution rate increased to 13 percent on July 1, 2015, and will increase to 14 percent on July 1, 2016. The 2015 contribution rates were equal to the statutory maximum rates.

The County's contractually required contribution to STRS was \$72,698 for 2015. Of this amount \$3,325 is reported as an intergovernmental payable

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

The net pension liability for OPERS was measured as of December 31, 2014, and the net pension liability for STRS was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of the respective measurement dates. The County's proportion of the net pension liability was based on the County's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

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	<u>OPERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability Prior Measurement Date	0.07841440%	0.00475369%	
Proportion of the Net Pension Liability Current Measurement Date	<u>0.07841440%</u>	<u>0.00506864%</u>	
Change in Proportionate Share	<u>0.00000000%</u>	<u>0.00031495%</u>	
Proportionate Share of the Net Pension Liability	\$9,457,652	\$1,400,824	\$10,858,476
Pension Expense	\$1,031,852	\$81,708	\$1,113,560

At December 31, 2015, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>OPERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$504,631	\$63,860	\$568,491
County contributions subsequent to the measurement date	<u>1,131,895</u>	<u>39,050</u>	<u>1,170,945</u>
Total Deferred Outflows of Resources	<u>\$1,636,526</u>	<u>\$102,910</u>	<u>\$1,739,436</u>
<b>Deferred Inflows of Resources</b>			
Net difference between projected and actual earnings on pension plan investments	\$166,153	\$100,746	\$266,899
Change in Proportionate Share	<u>0</u>	<u>(72,034)</u>	<u>(72,034)</u>
Total Deferred Inflows of Resources	<u>\$166,153</u>	<u>\$28,712</u>	<u>\$194,865</u>

\$1,170,945 reported as deferred outflows of resources related to pension resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31:	<u>OPERS</u>	<u>STRS</u>	<u>Total</u>
2016	\$49,494	(\$4,727)	\$44,767
2017	49,494	(4,726)	44,768
2018	113,332	(4,727)	108,605
2019	<u>126,158</u>	<u>49,328</u>	<u>175,486</u>
Total	<u>\$338,478</u>	<u>\$35,148</u>	<u>\$373,626</u>

**Actuarial Assumptions - OPERS**

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

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Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage Inflation	3.75 percent
Future Salary Increases, including inflation	4.25 to 10.05 percent including wage inflation
COLA or Ad Hoc COLA	3 percent, simple
Investment Rate of Return	8 percent
Actuarial Cost Method	Individual Entry Age

Mortality rates were based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

The most recent experience study was completed for the five year period ended December 31, 2010.

The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 6.95 percent for 2014.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2014 and the long-term expected real rates of return:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed Income	23.00%	2.31%
Domestic Equities	19.90	5.84
Real Estate	10.00	4.25
Private Equity	10.00	9.25
International Equities	19.10	7.40
Other investments	18.00	4.59
Total	<u>100.00%</u>	<u>5.28%</u>

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**Discount Rate** The discount rate used to measure the total pension liability was 8 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** The following table presents the County's proportionate share of the net pension liability calculated using the current period discount rate assumption of 8 percent, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (7 percent) or one-percentage-point higher (9 percent) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
County's proportionate share of the net pension liability	\$17,399,372	\$9,457,652	\$2,768,813

**Actuarial Assumptions - STRS**

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA commences on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89, and no set back from age 90 and above.

Actuarial assumptions used in the June 30, 2015, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

STRS' investment consultant develops best estimates for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:



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Asset Class	Target Allocation	10 Year Expected Nominal Rate of Return *
Domestic Equity	31.00%	8.00%
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	100.00%	

\* 10 year annualized geometric nominal returns include the real rate of return and inflation of 2.5 percent.

**Discount Rate** The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2015. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2015.

**Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** The following table presents the County's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
County's proportionate share of the net pension liability	\$1,764,986	\$1,400,824	\$782,877

**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 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.

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OPERS maintains two cost-sharing, multiple-employer defined benefit postemployment health care trusts, which fund 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 2015, 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.

OPERS maintains three health care trusts. The two cost-sharing, multiple employer trusts, the 401(h) Health Care Trust and the 115 Health Care Trust, work together to provide health care funding to eligible retirees of the Traditional Pension and Combined plans. The third trust is a Voluntary Employee's Beneficiary Association (VEBA) that provides funding for a Retiree Medical Account for Member-Directed Plan members. 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. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2015. 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 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 employer contribution as a percentage of covered payroll deposited to the VEBA for participants in the Member-Directed Plan for 2015 was 4.5 percent.

Substantially all of the County'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, 2015, 2014, and 2013, was \$182,303, \$225,605, and \$104,539, respectively. For 2015, 94.8 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2014 and 2013.



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**B. State Teachers Retirement System**

Plan Description – Ohio law authorizes State Teachers Retirement System of Ohio (STRS Ohio) to offer a cost-sharing, multiple-employer defined benefit Health Care Plan administered by STRS Ohio to eligible retirees who participated in the defined benefit or the combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which can be obtained by visiting [www.strs.org](http://www.strs.org) or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. The County's contributions allocated to fund postemployment health care benefits for the years ended December 31, 2015, 2014, and 2013, were \$0, \$0, and \$5,299, respectively. The full amount has been contributed for 2015, 2014, and 2013.

**NOTE 13 - OTHER EMPLOYER BENEFITS**

**A. Deferred Compensation Plan**

Gallia County employees and elected officials may participate in a state-wide deferred compensation plan created in accordance with Internal Revenue Code Section 457 offered by the State of Ohio. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

**B. Compensated Absences**

County employees follow various personnel policies as established by the County Commissioners, union agreements, or departmental mandates. Some employees of the Board of Developmental Disabilities, Engineer, Sheriff, Emergency Management Services, and Job and Family Services are represented by union agreements. All other County employees follow the Commissioners policy.

Each employee accrues 4.6 hours of sick time for each two week pay period worked. Accrual continues during periods of approved paid leave. Unused sick leave is cumulative without limit. Upon retirement, with 10 or more years service with the County, the State, or any of its political subdivisions, all employees except those of the Board of Developmental Disabilities, Engineer, Sheriff, and the Emergency Management Services, are paid 25% of their sick leave up to a maximum of 360 hours. The Board of Developmental Disabilities employees are paid at varying rates of 30% to 50% of all accumulated sick leave depending upon length of service with the Gallia County Board of Developmental Disabilities. The Engineer department employees are paid for accumulated sick leave at a rate of 100% up to 240 hours, 50% for 241 hours to 600 hours, and 25% for all remaining unused sick leave above 600 hours. Sheriff department employees are paid 100% for all accumulated sick leave to a maximum of 240 hours. Emergency Management Services employees are paid 25% of their sick leave up to a maximum of 600 hours if hired before 2011. Emergency Management Services employees hired after 2011 are paid 25% of their sick leave up to a maximum of 360 hours. 911 employees are paid 25% of their sick leave or 30 days, whichever is less.

Unused vacation time and compensatory time are paid to a terminated employee at varying rates depending on length of service and department policy.

**C. Insurance Benefits**

In 2015, the County contracted with Medical Mutual to provide all employees with \$15,000 each in life and accidental death and dismemberment insurance.

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The County provides comprehensive major medical and dental insurance through Medical Mutual and vision insurance through VSP for all employees except those of the Engineer's office. Monthly premiums are \$696.44 for single coverage and \$1,839.00 for family coverage. The County pays \$609.40 of the premiums for single plans and the County's employees pay the remaining balances. The County pays \$1,563.16 of the premiums for employees participating in the family plan with the remainder being paid by the employee. For the Engineer's office, the County pays \$598.94 for single coverage and the employee pays the remaining balance. For family coverage the County pays \$1,581.54 and the Engineer employees pay the remaining balance.

**NOTE 14 - SIGNIFICANT COMMITMENTS**

A. Contractual Commitments

As of December 31, 2015, the County had contractual purchase commitments as follows:

<u>Project</u>	<u>Fund</u>	<u>Contract Amount</u>	<u>Amount Expended</u>	<u>Balance at 12/31/2015</u>
<b>Governmental Activities:</b>				
Contractual Services:				
Property Reappraisal	Real Estate Assessment	\$478,000	\$58,941	\$419,059
Imagery Project	Real Estate Assessment	169,980	122,430	47,550
Total Governmental Activities		<u>647,980</u>	<u>181,371</u>	<u>466,609</u>
<b>Business-Type Activities:</b>				
Green Sewer Improvements		<u>2,259,856</u>	<u>159,454</u>	<u>2,100,402</u>
Total Contractual Commitments		<u><u>\$2,907,836</u></u>	<u><u>\$340,825</u></u>	<u><u>\$2,567,011</u></u>

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:

<b>Governmental Funds:</b>	
General Fund	\$115,832
Board of Developmental Disabilities	41,797
Nonmajor Governmental Funds	<u>120,533</u>
Total Governmental Funds	<u>278,162</u>
<b>Enterprise Fund:</b>	
Sewer Fund	<u>3,249</u>
Total	<u><u>\$281,411</u></u>

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**NOTE 15 - FOOD STAMPS**

The County's Department of Job and Family Services distributes, through contracting issuance centers, federal food stamps to entitled recipients within Gallia County. The receipt and issuance of the stamps have the characteristics of a federal grant. However, the Department of Job and Family Services merely acts in an intermediary capacity. Therefore, the inventory value of these stamps is not reflected in the accompanying financial statements, as the only economic interest related to these stamps rests with the ultimate recipient.

**NOTE 16 - CONTINGENT LIABILITIES**

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

Several claims and lawsuits are pending against the County. In the opinion of the County Prosecutor, any potential liability would not have a material effect on the County's financial condition.

**NOTE 17 - INTERFUND TRANSFERS AND BALANCES**

Interfund balances, as of December 31, 2015, consist of the following individual interfund receivables and payables:

Interfund Payable	Interfund Receivable					Total
	Major Funds				Other Governmental Funds	
	General	Motor Vehicle and Gasoline Tax	Job and Family Services	Board of Developmental Disabilities		
Major Funds:						
General	\$0	\$2,052	\$0	\$0	\$0	\$2,052
Job and Family Services	29,062	0	0	0	0	29,062
Other Governmental Funds	1,407	0	1,531	971	20,534	24,443
Sewer Enterprise Fund	36,312	0	0	0	0	36,312
	<u>\$66,781</u>	<u>\$2,052</u>	<u>\$1,531</u>	<u>\$971</u>	<u>\$20,534</u>	<u>\$91,869</u>

The interfund payable in the Sewer Enterprise Fund is a result of the General Fund making sewer related expenditures. These items are expected to be repaid upon completion of the related projects and generation of revenues by the system. The remaining interfund receivables/payables are due to lags between the dates interfund goods and services are provided, transactions were recorded in the accounting system, and payments between funds were made. Remaining interfund receivables/payables will be reimbursed either when funds become available or when payments for services are rendered.

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Interfund transfers for the year ended December 31, 2015, consisted of the following:

Transfer Out	Transfer In		Total
	Major Fund Job and Family Services	Other Governmental Funds	
Major Funds:			
General	\$88,576	\$831,935	\$920,511
Board of Developmental Disabilities	0	91,213	91,213
Other Governmental Funds	0	153,139	153,139
	\$88,576	\$1,076,287	\$1,164,863

Transfers were used to move revenues 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 revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**NOTE 18 - CAPITAL LEASES - LESSEE DISCLOSURE**

In prior years, the County has entered into agreements to lease copiers and radio equipment. Such agreements are, in substance, lease purchases and are reflected as capital lease obligations in the financial statements. Capital lease payments are reflected as debt service expenditures on the statement of revenues, expenditures, and changes in fund balance for the governmental funds.

Equipment acquired by leases has been capitalized in the government wide statements for governmental activities in the amount of \$193,696, which is equal to the present value of the future minimum lease payments at the time of acquisition. A corresponding liability was recorded in the government wide statements for governmental activities. Governmental activities capitalized leased assets are reflected net of accumulated depreciation for a book value of \$153,049 as of December 31, 2015. Principal payments for all capital leases during 2015 totaled \$36,156 for governmental activities.

Future minimum lease payments through 2019 are as follows:

Year	Governmental Activities	
	Principal	Interest
2016	\$37,180	\$5,821
2017	35,616	4,386
2018	37,022	2,980
2019	38,484	1,519
Total	\$148,302	\$14,706

**Gallia County, Ohio**  
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**NOTE 19 - JOINTLY GOVERNED ORGANIZATIONS**

*A. Joint Solid Waste Management District*

The County is a member of the Gallia, Jackson, Meigs and Vinton Joint Solid Waste Management District (the District), which is a jointly governed organization of the four named counties. The purpose of the District is to make disposal of waste in the four-county area more comprehensive in terms of recycling, incinerating, and land filling.

The District is governed and operated through three groups. A twelve member Board of Directors, comprised of the three commissioners from each county, is responsible for the District's financial matters. Financial records are maintained by the District. The District's sole revenue source is a waste disposal fee for in-district and out-of-district waste. A twenty-five member Policy Committee, comprised of six members from each county and one at-large member appointed by the Policy Committee, is responsible for preparing the solid waste management plan of the District in conjunction with a Technical Advisory Council whose members are appointed by the Policy Committee. Each participating County's influence is limited to the numbers of members each appoints to the Board. Continued existence of the District is not dependent upon the County's continued participation, no equity interest exists, and no debt is outstanding. The County made no contributions to the District in 2015.

*B. Gallia-Jackson-Meigs Counties Board of Alcohol, Drug Addiction, and Mental Health Services*

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

All of the Board's revenue is derived from State and Federal grants awarded to the multi-county Board. Gallia County serves as fiscal agent for the Board and it is presented as an Agency Fund. Continued existence of the ADAMH is not dependent upon the County's continued participation, no debt exists, and the County does not have an equity interest in the Board. During 2015, the County made no in payments to the Board.

*C. Gallia-Jackson-Meigs Counties Cluster*

The Gallia-Jackson-Meigs Counties Cluster provides services to multi-need youth in Gallia, Jackson, and Meigs Counties. Members of the Cluster include the Gallia-Jackson-Meigs Counties Board of Alcohol, Drug Additional, and Mental Health Services, Gallia County Children Services, Gallia County Juvenile Court, Gallipolis City Schools, Gallia County Local Schools, the regional office of the Department of Youth Services, Gallia County Board of Developmental Disabilities, TASC (Treatment Alternative to Street Crime) of Southeast Ohio, Health Recovery Services-Basset House, the Bureau of Vocational Rehabilitation and the Family Addiction Community Treatment Services. The operation of the Cluster is controlled by an Advisory Committee which consists of one representative from each participating agency. State grants are received in the name of the Cluster. The continued existence of the Cluster is not dependent upon the County's continued participation and no equity interest exists. The Cluster has no outstanding debt.

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

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

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

The Ohio Valley Resource Conservation and Development Area, Inc. is a jointly governed organization that is operated as a non-profit corporation. The Ohio Valley Resource Conservations and Development Area, Inc. was created to aid regional planning to participating counties. Jackson County, along with Ross, Vinton, Highland, Gallia, Brown, Adams, Pike, Scioto, and Lawrence Counties each appoint three members to the thirty member Council. The Council selects an administrator to oversee operations. In 2015, the County made \$250 in contributions to the Ohio Valley Resource Conservation and Development Area, Inc.

*F. Southeastern Ohio Corrections Commission*

The Southeastern Ohio Corrections Commission was formed for the purpose of planning to build a community jail through state funding. The Commission consists of Gallia, Jackson, and Meigs Counties. The state funding never materialized, but the Commission has remained together in the case there would be any new grants to apply for in the future. The Commission consists of nine members which included the President of the Commissioners, the Common Pleas Judge, and the Sheriff from each county. The Commission's fiscal agent will be the County Auditor of the County in which the jail is constructed. The County made no contributions to the Commission in 2015, and the Commission is not dependent upon the County's continued participation.

*G. Gallia-Meigs Community Action Agency*

The Gallia-Meigs Community Action Agency (the Agency) is a non-profit corporation organized to plan, conduct and coordinate programs designed to combat social and economic problems and to help eliminate conditions of poverty within Gallia and Meigs Counties. The agency is governed by an eighteen member board which consists of three commissioners from each county, three business owners from each county, and three low income individuals elected by each county. The three business owners are nominated by other local business owners and the three low income individuals are nominated by local town council meetings. The Agency received federal and state monies which are applied for and received by, and in the name of, the Board of Directors. The Gallia County Commissioners apply for the Community Housing Improvement Program Grant and the HOME Grant which are administered implemented by the Agency. The County is the fiscal agent for the grant, but the grants are used by the Agency to improve low income family housing in Gallia County. The Agency contracts for expenses that relate to the grants and then the County Commissioners issue the payments. The Board of County Commissioners exercises total control of the budgeting, appropriation, contracting and management. Continued existence of the Agency is not dependent upon the County's continued participation, nor does the County have an equity interest in the Agency. The Agency is not accumulating significant financial resources and is not experiencing fiscal distress that may cause an additional financial benefit to or burden on the County. In 2015, the County paid \$230,563 to the Agency for services provided to the County.



**Gallia County, Ohio**  
*Notes to the Basic Financial Statements*  
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*H. Gallia-Jackson Child Abuse and Neglect Advisory Board*

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

*I. Ohio Valley Regional Development Commission*

The Ohio Valley Regional Development Commission (the Commission) is a jointly governed organization that serves a twelve county economic development planning district in southern Ohio. The Commission was formed to influence favorably the future economic, physical and social development of Adams, Brown, Clermont, Fayette, Gallia, Highland, Jackson, Lawrence, Pike, Ross, Scioto, and Vinton Counties. Membership is comprised of elected and appointed county, municipal, and township officials or their officially appointed designees, as well as members of the private sector, community action agencies and regional planning commissions. The Commission is not dependent upon Gallia County for its continued existence. In 2015, the County paid \$5,712 to the Ohio Valley Regional Development Commission for membership.

*J. Southern Ohio Council of Governments*

The County is a member of the Southern Ohio Council of Governments (the "Council"), which is a jointly governed organization created under Ohio Revised Code Section 167.01. The governing body consists of a thirteen member board with each participating County represented by its Director of its Board of Developmental Disabilities (BDD). Member counties include: Adams, Athens, Brown, Fayette, Gallia, Highland, Jackson, Lawrence, Pickaway, Pike, Ross, Scioto, and Vinton Counties. The Council acts as fiscal agent for the Gallia County BDD's supportive living program monies. As of December 31, 2015, the County had a \$320,078 balance on hand with the Council. These monies are recorded as "Cash and Cash Equivalents with Fiscal Agents" on the County's financial statements. Financial statements can be obtained from the Council at 43 N. Paint St., Chillicothe, Ohio 45601.

**NOTE 20 - RELATED ORGANIZATIONS**

*A. O.O. McIntyre Park District*

The County Probate Judge is responsible for appointing the three-member board of the O.O. McIntyre Park District. Removal of the members requires due process. The County has no ability to impose its will on the organization nor is a benefit/burden relationship exist. The Park District has a one-half mill property tax that is collected by Gallia County and then transferred into the Park District Agency Fund. In addition, the Park District receives one percent of the County's share of Undivided Local Government Revenue Assistance and State income taxes. These items totaled \$9,138 in 2015. The Park District is its own budgeting and taxing authority and has no outstanding debt. The County Auditor serves as the fiscal agent for the Park District; therefore, the financial activity is reflected in the Park District Agency Fund.

**Gallia County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2015*

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**B. Bossard Memorial Library**

The Bossard Memorial Library is statutorily created as a separate and distinct political subdivision of the State. Four trustees of the Library are appointed by the County Commissioners, and three trustees are appointed by the judges of the Common Pleas Court. Due process is required to remove board members. The Library has a 1.3 mill property tax that is collected by Gallia County and then transferred into the Library District Agency Fund. Although the County collects and distributes the tax, this function is strictly ministerial and the County provides no contributions of its own. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel, and does not depend upon the County for operational subsidies.

**C. Gallia Metropolitan Housing Authority**

The Gallia Metropolitan Housing Authority is a nonprofit organization established to provide adequate public housing for low income individuals and was created pursuant to State Statutes. The Authority is operated by a five member board. Two board members are appointed by the City of Gallipolis, one member is appointed by the Probate Court Judge, one member is appointed by the Common Pleas Court Judge, and one member is appointed by the County Commissioners. The Authority receives funding from the U.S. Department of Housing and Urban Development. The Board sets its own budget and selects its own management, and the County is not involved in its management or operation. The County is not financially accountable for the Authority.

**NOTE 21 - SHARED RISK POOLS**

**A. County Risk Sharing Authority, Inc. (CORSA)**

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

Each member county has one vote on all matters requiring a vote, to be cast by a designated representative. The affairs of the Corporation are managed by an elected board of not more than nine trustees. Only county commissioners of member counties are eligible to serve on the board. No county may have more than one representative on the board at any time. Each member county's control over the budgeting and financing of CORSA is limited to its voting authority and any representation it may have on the board of trustees. CORSA has issued certificates of participation in order to provide adequate cash reserves. The certificates are secured by the member counties' obligations to make coverage payments to CORSA. The participating counties have no responsibility for the payment of the certificates. The County does not have an equity interest in or a financial responsibility for CORSA. Any additional premium or contribution amounts and estimates of losses are not reasonably determinable. The County's payment for insurance to CORSA in 2015 was \$184,479.

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

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



**Gallia County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2015*

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

**NOTE 22 - DECLINING MORTGAGE LOANS**

Gallia County administers a loan program with funds provided by the U.S. Department of Housing and Urban Development, through the Ohio Department of Development, Office of Housing and Community Partnerships. The purpose of this program is to provide loans to low and moderate income families for home improvements. Loans are provided as declining mortgage loans with the intent that they do not have to repay 85% of the loan (85% of the loan is released at the end of either a five or ten year period), unless they would sell the residence before the five or ten year period ended. The remaining 15 percent would remain as a mortgage to the property until such time as the owner either pays it off or sells the property. When the owner repays the remaining 15 percent, these monies are deposited into the County's Housing Program Income Fund and then used as a match to current Home Investment Partnership Program Grants. As of December 31, 2015, the total amount of loans outstanding was \$226,401. Due to the nature of these loans, they do not constitute a receivable or pledge and the loans accordingly have not been reported in the accompanying basic financial statements.

**Gallia County, Ohio**  
*Notes to the Basic Financial Statements*  
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**NOTE 23 - LONG-TERM OBLIGATIONS**

Changes in the County's long-term obligations during the year consisted of the following:

	Principal Outstanding 12/31/14	Additions	Deductions	Principal Outstanding 12/31/15	Amounts Due in One Year
<b>Governmental Activities:</b>					
General Obligation Bonds:					
2006 Early Childhood and Family Center - 4.45%	\$1,263,208	\$0	\$35,000	\$1,228,208	\$36,558
2009 EMS Station - 3.99%	125,651	0	125,651	0	0
2010 Speculative Building - 4.08%	182,194	0	15,083	167,111	15,688
2010 Airport Hangers - 4.34%	248,083	0	7,475	240,608	7,799
2011 Davis Lot Land - 4.50%	144,000	0	5,820	138,180	6,082
2012 JFS Building - 3.375%	704,500	0	20,800	683,700	21,400
<b>Total General Obligation Bonds</b>	<b>2,667,636</b>	<b>0</b>	<b>209,829</b>	<b>2,457,807</b>	<b>87,527</b>
OPWC Loans:					
2013 OPWC Road Improvements Loan - 0.00%	170,035	0	34,007	136,028	11,336
2015 OPWC Road Improvements Loan - 0.00%	0	26,259	0	26,259	2,500
<b>Total OPWC Loans</b>	<b>170,035</b>	<b>26,259</b>	<b>34,007</b>	<b>162,287</b>	<b>13,836</b>
Net Pension Liability:					
OPERS	9,244,037	213,615	0	9,457,652	0
STRS	1,156,262	244,562	0	1,400,824	0
<b>Total Net Pension Liability</b>	<b>10,400,299</b>	<b>458,177</b>	<b>0</b>	<b>10,858,476</b>	<b>0</b>
Capital Leases	184,458	0	36,156	148,302	37,180
Compensated Absences	337,683	51,386	20,371	368,698	108
<b>Total Governmental Activities</b>	<b>\$13,760,111</b>	<b>\$535,822</b>	<b>\$300,363</b>	<b>\$13,995,570</b>	<b>\$138,651</b>

**Gallia County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2015*

	Outstanding 12/31/14	Additions	Deductions	Outstanding 12/31/15	Due in One Year
<b>Business-Type Activities:</b>					
OWDA Loans:					
2008 Green Sewer - 5.21%	\$462,929	\$17,785	\$48,800	\$431,914	\$431,914
2014 Green Sewer - 4.30%	145,883	63,352	10,000	199,235	0
2014 Green Sewer - 4.40%	6,023	22,495	11,250	17,268	0
2015 Green Sewer - 3.15%	0	5,481	0	5,481	0
2009 Kanauga/Addison Sewer - 0.00%	297,000	0	18,000	279,000	9,000
2009 Mercerville Sewer - 0.00%	179,788	0	11,599	168,189	5,800
2011 Kanauga/Addison Sewer - 1.00%	478,393	0	14,585	463,808	7,347
Total OWDA Loans:	<u>1,570,016</u>	<u>109,113</u>	<u>114,234</u>	<u>1,564,895</u>	<u>454,061</u>
Bonds:					
2000 USDA Sewer Revenue					
Bonds - 4.50%	1,601,100	0	33,700	1,567,400	35,100
2013 USDA Sewer Revenue					
Bonds - 3.125%	1,862,000	0	0	1,862,000	26,200
2015 USDA Sewer Revenue					
Bonds - 2.000%	0	349,841	0	349,841	0
Total Bonds:	<u>3,463,100</u>	<u>349,841</u>	<u>33,700</u>	<u>3,779,241</u>	<u>61,300</u>
OPWC Loans:					
2002 OPWC Bidwell Porter					
Sewer - 0.00%	86,250	0	11,500	74,750	5,750
2008 OPWC Kanauga/Addison					
Sewer - 0.00%	314,167	0	10,833	303,334	5,417
Total OPWC Loans:	<u>400,417</u>	<u>0</u>	<u>22,333</u>	<u>378,084</u>	<u>11,167</u>
Compensated Absences	0	4,036	0	4,036	0
Total Business-Type Activities	<u>\$5,433,533</u>	<u>\$462,990</u>	<u>\$170,267</u>	<u>\$5,726,256</u>	<u>\$526,528</u>

**A. Governmental Activities**

In September 2006, the County issued General Obligation Bonds in the amount of \$1,480,000 at 4.45 percent interest for the purpose of constructing an early childhood and family center. Principal and interest payments are due December 1 of each year through 2036. The bonds will be retired from the Bond Retirement Fund from transfers from the Board of Developmental Disabilities Fund. Principal and interest requirements to retire the County's Early Childhood and Family Center General Obligation Bonds at December 31, 2015, are as follows:

**Gallia County, Ohio**  
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Year Ended December 31,	Principal	Interest	Total
2016	\$36,558	\$54,655	\$91,213
2017	38,185	53,028	91,213
2018	39,884	51,329	91,213
2019	41,659	49,554	91,213
2020	43,512	47,701	91,213
2021-2025	248,388	207,676	456,064
2026-2030	308,797	147,268	456,065
2031-2035	383,898	72,167	456,065
2036	87,327	3,886	91,213
	<u>\$1,228,208</u>	<u>\$687,264</u>	<u>\$1,915,472</u>

In January 2009, the County issued General Obligation Bonds in the amount of \$150,000 at 3.99 percent interest for the purpose of constructing an Emergency Management System Station. Principal and interest payments were due December 1 each year through 2033. The bonds were retired early in 2015.

In January 2010, the County issued General Obligation Bonds in the amount of \$250,258 at 4.08 percent interest for the purpose of constructing a speculative building. Principal and interest payments are due December 1 of each year through 2024. The bonds will be retired from the Bond Retirement Fund from transfers from the Community Development Block Grant Fund. In 2011, the County sold the speculative building to a local manufacturing company. A loan receivable in the amount of \$899,984 was set up in the Community Development Block Grant Fund. The proceeds of the receivable will be used to retire the General Obligation Bond. Principal and interest requirements to retire the County's Speculative Building General Obligation Bonds at December 31, 2015, are as follows:

Year Ended December 31,	Principal	Interest	Total
2016	\$15,688	\$6,931	\$22,619
2017	16,356	6,263	22,619
2018	17,032	5,587	22,619
2019	17,736	4,883	22,619
2020	18,459	4,160	22,619
2021-2024	81,840	8,637	90,477
	<u>\$167,111</u>	<u>\$36,461</u>	<u>\$203,572</u>

In July 2010, the County issued General Obligation Bonds in the amount of \$275,000 at 4.34 percent interest for the purpose of constructing two airport hangers at the Gallia-Meigs Regional Airport. Principal and interest payments are due December 1 of each year through 2035. The bonds will be retired from hangar rental fees revenue posted to the County's bond retirement fund. Principal and interest requirements to retire the County's Airport General Obligation Bonds at December 31, 2015, are as follows:

**Gallia County, Ohio**  
*Notes to the Basic Financial Statements*  
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Year Ended December 31,	Principal	Interest	Total
2016	\$7,799	\$10,443	\$18,242
2017	8,138	10,104	18,242
2018	8,491	9,751	18,242
2019	8,859	9,383	18,242
2020	9,244	8,998	18,242
2021-2025	52,596	38,612	91,208
2026-2030	65,044	26,164	91,208
2031-2035	80,437	10,770	91,207
	<u>\$240,608</u>	<u>\$124,225</u>	<u>\$364,833</u>

In December 2011, the County issued General Obligation Bonds in the amount of \$160,000 at 4.50 percent interest for the purpose of purchasing the Davis Hall lot. Principal and interest payments are due December 1 of each year through 2031. The bonds will be retired from the General Fund. Principal and interest requirements to retire the County's Davis Lot General Obligation Bonds at December 31, 2015, are as follows:

Year Ended December 31,	Principal	Interest	Total
2016	\$6,082	\$6,218	\$12,300
2017	6,356	5,944	12,300
2018	6,642	5,658	12,300
2019	6,941	5,359	12,300
2020	7,253	5,047	12,300
2021-2025	41,464	20,036	61,500
2026-2030	51,672	9,828	61,500
2031	11,770	530	12,300
	<u>\$138,180</u>	<u>\$58,620</u>	<u>\$196,800</u>

In July 2012, the County issued General Obligation Bonds in the amount of \$744,000 at 3.375 percent interest for the purpose of purchasing a building for the Job and Family Services department. Principal and interest payments are due July 1 of each year through 2037. The bonds will be retired from building rental fees revenue posted to the County's bond retirement fund. Principal and interest requirements to retire the Job and Family Services Building General Obligation Bonds at December 31, 2015, are as follows:

Year Ended December 31,	Principal	Interest	Total
2016	\$21,400	\$23,075	\$44,475
2017	22,200	22,353	44,553
2018	22,900	21,603	44,503
2019	23,700	20,831	44,531
2020	24,500	20,031	44,531
2021-2025	135,500	87,176	222,676
2026-2030	159,900	62,714	222,614
2031-2035	188,900	33,848	222,748
2036-2037	84,700	4,313	89,013
	<u>\$683,700</u>	<u>\$295,944</u>	<u>\$979,644</u>

**Gallia County, Ohio**  
*Notes to the Basic Financial Statements*  
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In July 2013, the County entered into an Ohio Public Works loan in the amount of \$181,371, interest free, for the purpose of road improvements. Payments will be due January 1 and July 1 of each year through 2022. The loan will be retired from Motor Vehicle Gasoline Tax Fund. Principal requirements to retire the OPWC Road Improvements Loan at December 31, 2015, are as follows:

Year Ended December 31,	Principal
2016	\$11,336
2017	22,671
2018	22,671
2019	22,671
2020	22,671
2021-2022	<u>34,008</u>
	<u><u>\$136,028</u></u>

In July 2015, the County entered into an Ohio Public Works loan in the amount of \$150,000, interest free, for the purpose of road improvements. Payments will be due January 1 and July 1 of each year through 2046. The loan will be retired from Motor Vehicle Gasoline Tax Fund. As of December 31, 2015, this loan has not been fully drawn down; therefore, no amortization schedule is disclosed.

Compensated absences will be paid from the fund from which the employees' salaries are paid. These funds include the General Fund, the Motor Vehicle Gasoline Tax, Children Services, Dog and Kennel, Job and Family Services, Child Support Enforcement Administration, Emergency Management, Court and Corrections, Real Estate Assessment, Board of Developmental Disabilities, Sheriff, Emergency Management System, and Community Development Block Grant Special Revenue Funds, and the Sewer Enterprise Funds. Capital lease obligations are paid from intergovernmental grant revenues from the Community Development Block Grant Special Revenue Fund, sales tax revenues from the Emergency Management Agency Special Revenue Fund, and general property tax revenues in the General Fund.

**B. Business-Type Activities**

In June 2006, the County entered into an agreement with Ohio Water Development Authority (OWDA) for a Green Township Sanitary Sewer Study in the amount of \$50,000. On August 28, 2008, the County was approved for a \$325,000 Green Sewer Phase I Design Loan which was used to pay off the Sanitary Sewer Study Loan. On March 31, 2011, the County was approved for an additional \$163,000 for a total of \$488,000. The design loan will be rolled over into a long term construction loan for payment. As of December 31, 2015, \$590,514 has been disbursed on the OWDA Loan, which includes capitalized interest. As of December 31, 2015, the County has repaid \$158,600.

In 2014, the County entered into another agreement with OWDA for the Green Township Sanitary Sewer Study in the amount of \$200,000. As of December 31, 2015, \$209,235 has been disbursed on the OWDA Loan, which includes capital interest. The loans will be paid from pledged revenues charged for services of the system.

In 2014, the County entered into an agreement with OWDA for the Green Township Sanitary Sewer Study in the amount of \$225,000. As of December 31, 2015, \$28,518 has been disbursed on the OWDA Loan, which includes capital interest. The loans will be paid from pledged revenues charged for services of the system. As of December 31, 2015, OWDA had not disbursed the entire amount of the loan.

In 2015, the County entered into an agreement with OWDA for the Green Township Sanitary Sewer Study in the amount of \$1,568,730. As of December 31, 2014, \$5,481 has been disbursed on the OWDA Loan, which includes capital interest. The loans will be paid from pledged revenues charged for services of the system. As of December 31, 2015, OWDA had not disbursed the entire amount of the loan.

**Gallia County, Ohio**  
*Notes to the Basic Financial Statements*  
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In 2009, the County entered into a Water Pollution Control Loan Fund agreement through OWDA which included assistance from the American Reinvestment and Recovery Act (ARRA) in the amount of \$720,000 for additional financing on the Kanauga-Addison Sewer System. This loan has a 0% interest rate and a term of 20 years. \$360,000 of this loan was paid with grant funding from the American Reinvestment and Recovery Act. As of December 31, 2012, \$720,000 was disbursed on this loan; \$360,000 of the loan has been repaid with the above mentioned ARRA grant funding. In accordance with Section 603(d)(1)(c) of the Clean Water Act, the County has established a dedicated source of revenue for repayment of the loan. The dedicated source of repayment for the loan is the sewer use charges in the Gallia County Commissioner's Resolution passed on May 14, 2009. Semi - annual payment amounts are \$9,000 with the date of first payment of January 1, 2012, which was paid during 2011. Principal and interest requirements to retire the County's Kanauga/Addison Sewer OWDA Loan at December 31, 2015, are as follows:

Year Ended December 31,	Principal
2016	\$9,000
2017	18,000
2018	18,000
2019	18,000
2020	18,000
2021-2025	90,000
2026-2030	90,000
2031	18,000
	<u>\$279,000</u>

In 2009, the County entered into a Water Pollution Control Loan Fund agreement through OWDA which included assistance from the American Reinvestment and Recovery Act (ARRA). In June 2011, an additional \$110,000 was approved. This loan has a 0% interest rate and a term of 20 years. \$450,000 of this loan is scheduled to be paid with grant funding from the American Reinvestment and Recovery Act (ARRA). As of December 31, 2014, \$450,000 of the loan has been repaid with the above mentioned ARRA grant funding. Principal and interest requirements to retire the County's Mercerville Sewer WPCLF OWDA Loan at December 31, 2015, are as follows:

Year Ended December 31,	Principal
2016	\$5,800
2017	11,599
2018	11,599
2019	11,599
2020	11,599
2021-2025	57,997
2026-2030	57,996
	<u>\$168,189</u>

In June 2011, the County entered into an agreement with OWDA for a Community Assistance Fund Loan for additional funding for the Kanauga – Addison Sewer project. The maximum amount of the loan is \$500,000 at a rate of one percent for a term of thirty years. The County has pledged future Kanauga - Addison Sewer System customer revenues, net of specified operating expenses, to repay the loan. Principal and interest requirements to retire the Community Assistance Fund Loan at December 31, 2015, are as follows:

**Gallia County, Ohio**  
*Notes to the Basic Financial Statements*  
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Year Ended December 31,	Principal	Interest	Total
2016	\$7,347	\$2,319	\$9,666
2017	14,805	4,528	19,333
2018	14,954	4,379	19,333
2019	15,103	4,230	19,333
2020	15,255	4,078	19,333
2021-2025	78,599	18,065	96,664
2026-2030	82,619	14,045	96,664
2031-2035	86,844	9,820	96,664
2036-2040	91,285	5,379	96,664
2041-2043	56,997	1,002	57,999
	<u>\$463,808</u>	<u>\$67,845</u>	<u>\$531,653</u>

In March 2000, the County issued Sewer Revenue Bonds in the amount of \$1,927,000 at an interest rate of 4.50 percent. Principal and interest payments are due March 1 of each year through 2040. These bonds issued through the USDA Rural Development were for the purpose of constructing the Bidwell Porter sewer system. The bonds will be repaid from revenues derived from the operations of the County's sewer system. Principal and interest requirements to retire the Sewer Enterprise Fund's bonds outstanding at December 31, 2015, are as follows:

Year Ended December 31,	Principal	Interest	Total
2016	\$35,100	\$70,533	\$105,633
2017	36,800	68,954	105,754
2018	38,400	67,298	105,698
2019	40,100	65,570	105,670
2020	42,000	63,765	105,765
2021-2025	239,800	288,752	528,552
2026-2030	298,700	229,721	528,421
2031-2035	372,400	156,154	528,554
2036-2040	464,100	64,485	528,585
	<u>\$1,567,400</u>	<u>\$1,075,232</u>	<u>\$2,642,632</u>

On March 14, 2013, the Board of County Commissioners approved a resolution authorizing the issuance of \$1,862,000 Sanitary Sewer Revenue Bonds. Proceeds were used to retire \$1,862,000 of the interim OWDA loan financing on March 25, 2013. The remaining amount of the interim financing outstanding was paid by the County on March 28, 2013. The Sanitary Sewer Revenue Bonds have an interest rate of 3.125% and are to be paid over forty years with the first payment representing interest being due March 1, 2014, with final payment being March 1, 2053. The Bonds will be repaid from revenues derived from the operations of the County's sewer system. Principal and interest requirements to retire the Sewer Enterprise Fund's bonds outstanding at December 31, 2015, are as follows:



**Gallia County, Ohio**  
*Notes to the Basic Financial Statements*  
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Year Ended December 31,	Principal	Interest	Total
2016	\$26,200	\$58,188	\$84,388
2017	27,000	57,369	84,369
2018	27,900	56,525	84,425
2019	28,800	55,653	84,453
2020	29,600	54,753	84,353
2021-2025	162,700	259,281	421,981
2026-2030	189,800	232,216	422,016
2031-2035	221,400	200,653	422,053
2036-2040	258,100	163,831	421,931
2041-2045	301,100	120,894	421,994
2046-2050	351,200	70,816	422,016
2051-2053	238,200	15,038	253,238
	<u>\$1,862,000</u>	<u>\$1,345,217</u>	<u>\$3,207,217</u>

On May 30, 2015, the Board of County Commissioners accepted a loan/grant offer from USDA relating to Green Sewer with a grant amount of \$3,335,000 and loan portion of \$3,089,000 with terms of 2.00% interest for 40 years with principal deferral of 2 years. As of December 31, 2015, the County has received \$349,841 from the loan.

In August 2002, the County obtained the Bidwell Porter Sewer System OPWC Loan in the amount of \$230,000 at an interest rate of zero percent. Principal payments are due January and July 1 of each year through 2022. This loan was entered into for the purpose of constructing the Bidwell Porter Sewer System. The loan will be retired from Sewer Enterprise Fund revenue. Principal and interest requirements to retire the County's Bidwell Porter Sewer OPWC Loan outstanding at December 31, 2015, are as follows:

Year Ended December 31,	Principal
2016	\$5,750
2017	11,500
2018	11,500
2019	11,500
2020	11,500
2021-2022	23,000
	<u>\$74,750</u>

In July 2008, the County obtained the Kanauga/Addison Sewer OPWC Loan in the amount of \$325,000 at an interest rate of zero percent. Principal payments are due January and July 1 of each year through 2044 in amounts of \$5,417. This loan was entered into for the purpose to expand the Kanauga/Addison sewer system. The loan will be retired from Sewer Enterprise Fund revenue. Principal and interest requirements to retire the County's Kanauga/Addison Sewer OPWC Loan outstanding at December 31, 2015, are as follows:

**Gallia County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2015*

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Year Ended December 31,	Principal
2016	\$5,417
2017	10,833
2018	10,833
2019	10,833
2020	10,833
2021-2025	54,167
2026-2030	54,167
2031-2035	54,167
2036-2040	54,167
2041-2044	37,917
	\$303,334

The County has pledged future customer revenues, net of specified operating expenses, to repay \$1,564,895 in OWDA loans issued from 2008 to 2015. Proceeds from these loans provided financing for various sewer projects. The loans are payable solely from customer net revenues and are payable through 2043. Annual principal and interest payments on the bonds should require less than 100 percent of net revenues in future years. Net revenues include all revenues received by the sewer utility less all operating expenses other than depreciation expense. The total principal and interest remaining to be paid on the loans are unknown at this time since some loans are not fully drawn out, however principal remaining on the Mercerville and Kanauga/Addison OWDA (WPCLF) loans are \$168,189 and \$279,000, respectively. Annual principal and interest payments on the loans are expected to require more than 100 percent of net revenues in future years. Principal and interest payments for the current year were \$118,982.

*C. Debt Margin*

The Ohio Revised Code provides that the net general obligation debt of the County, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed one percent of the total valuation of the County. The Code further provides that the total shall never exceed a sum equal to three percent of the first \$100,000,000 of the assessed valuation, plus one and one-half percent of such valuation in excess of \$100,000,000 and not in excess of \$300,000,000, plus two and one-half percent of such valuation in excess of \$300,000,000. The County's total debt margin was \$15,926,261 and the unvoted debt margin was \$5,398,448 at December 31, 2015.

*D. Conduit Debt*

Pursuant to State statute, various industrial revenue bonds have been issued for private industry within the County. The proceeds of the industrial revenue bonds are used by the various private industries for new construction or improvements. The bonds are to be repaid by the recipients of the proceeds and do not represent obligations of the County. As of December 31, 2015, \$160,487,824 of industrial revenue bonds had been issued, and \$154,215,983 of those remained outstanding.

**Gallia County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2015*

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**NOTE 24 - GALLIA COUNTY LANDFILL**

In 1978, Gallia County established the Gallia County Sanitary Landfill. The County contracted with Greg Fields to operate the landfill when it opened. In 1991, Mid-American Waste Systems, Inc. (Mid-American) purchased Greg Field's business. At this time Gallia County operated the landfill on its own for a three month period until the County signed the lease agreement with Mid-American in June 1991. In 2001, the County signed the current lease agreement with USA Waste Services, Inc. (Waste Management). The lease agreement states that Waste Management is the operator of the landfill and that the County is to receive a portion of the landfill fees. The lease also states that Waste Management will comply with the Ohio Environmental Protection Agency (EPA) closure and post closure requirements; therefore, Waste Management is responsible for these costs unless the County does not renew the lease agreement. The EPA issued a Sub-Title D that states that landfill operators are to purchase a Final Assurance Bond for the closure and post closure costs and Waste Management has met the requirement.

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**Gallia County, Ohio**  
*Required Supplementary Information*  
*Condition Assessments of the County's Infrastructure*  
*Reported Using the Modified Approach*  
*For the Year Ended December 31, 2015*

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The County reports its road and bridge infrastructure assets using the modified approach. The following disclosures pertain to the condition assessments of these assets:

**County Roads**

The Gallia County Engineer uses a pavement management system to evaluate the condition of over 454 miles of roadway. All roads are inspected on an annual basis using the following system, and criteria consisting of current condition, last date of maintenance or resurfacing, traffic count and type.

<u>Surface Rating</u>	<u>Condition Rating</u>	<u>Description</u>
1	Excellent	Surface not in need of maintenance. New condition. Surface age typically 1-5 years. Older surfaces with low traffic counts and low truck traffic also in this category.
2	Good	Surface requires minor maintenance to restore to excellent condition. Generally, surfaces 6-10 years of age in this category.
3	Fair	Surface requires major maintenance to restore to excellent condition. Generally, surfaces 11-15 years of age in this category.
4	Deficient	Surface requires major maintenance to restore to excellent condition. Surfaces older than 15 years, or with high traffic counts and high truck traffic in this category.
5	Poor	Surface is no longer useable.

It is the practice of the Gallia County Engineer to maintain the county roadway system where at least 85% of the roadways will have a rating of '3 - Fair' or better.

**Bridges and Large Culverts**

All bridges and large culverts are inspected on an annual basis, as required by ORC. The rating system used was developed by FHWA, and entails the inspection of all components of the structure, as described in the following system.

**Gallia County, Ohio**  
*Required Supplementary Information*  
*Condition Assessments of the County's Infrastructure*  
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*For the Year Ended December 31, 2015*

Structure Rating	Condition Rating	Description
9	Excellent	Superior to current desirable criteria.
8	Very Good	Equal to current desirable criteria.
7	Good	Better than current minimum criteria.
6	Satisfactory	Equal to current desirable criteria.
5	Fair	Low priority for repair.
4	Poor	High priority for repair.
3	Serious	Low priority for replacement.
2	Critical	High priority for replacement.
1	Imminent Failure	Immediate repair/replacement necessary.
0	Closed	Bridge closed.

It is the practice of the Gallia County Engineer to maintain the county bridge and large culvert system where at least 80% of the structures will have a rating of '5 - Fair' or better.

The following summarizes the road and bridge conditions as of December 31, 2015, 2014, and 2013.

**ROAD CONDITION 2015**

CONDITION DESCRIPTION	ROAD CONDITION	LENGTH MILES	AREA SQUARE FEET	% OF ROADS	PERCENT ACCUMULATION
EXCELLENT	1	229.59	21,353,655.84	51.85%	51.85%
GOOD	2	217.82	19,160,000.64	46.52%	98.37%
FAIR	3	7.35	665,375.04	1.62%	99.98%
DEFICIENT	4	0.09	6,652.80	0.02%	100.00%
POOR	5	0.00	0.00	0.00%	100.00%
TOTALS		454.85	41,185,684.32	100.00%	

99.98% of roads exceed the goal of 85% of roadways having a rating of '3 – Fair' or better in 2015.

**Gallia County, Ohio**  
*Required Supplementary Information*  
*Condition Assessments of the County's Infrastructure*  
*Reported Using the Modified Approach*  
*For the Year Ended December 31, 2015*

**ROAD CONDITION 2014**

CONDITION DESCRIPTION	ROAD CONDITION	LENGTH MILES	AREA SQUARE FEET	% OF ROADS	PERCENT ACCUMULATION
EXCELLENT	1	212.90	19,872,552.48	48.25%	48.25%
GOOD	2	234.52	20,641,104.00	50.12%	98.37%
FAIR	3	7.35	665,375.04	1.62%	99.98%
DEFICIENT	4	0.09	6,652.80	0.02%	100.00%
POOR	5	0.00	0.00	0.00%	100.00%
TOTALS		454.85	41,185,684.32	100.00%	

99.98% of roads exceed the goal of 85% of roadways having a rating of '3 - Fair' or better in 2014.

**ROAD CONDITION 2013**

CONDITION DESCRIPTION	ROAD CONDITION	LENGTH MILES	AREA SQUARE FEET	% OF ROADS	PERCENT ACCUMULATION
EXCELLENT	1	203.80	18,880,398.24	45.84%	45.84%
GOOD	2	241.05	21,404,570.88	51.97%	97.81%
FAIR	3	9.91	894,062.40	2.17%	99.98%
DEFICIENT	4	0.09	6,652.80	0.02%	100.00%
POOR	5	0.00	0.00	0.00%	100.00%
TOTALS		454.85	41,185,684.32	100.00%	

99.98% of roads exceed the goal of 85% of roadways having a rating of '3 - Fair' or better in 2013.

A comparison of total road condition for 2015, 2014, and 2013, in terms of percentage of total road miles is presented below.

Percentage of Miles in Fair or Better Condition

2015	2014	2013
99.98%	99.98%	99.98%

**Gallia County, Ohio**  
*Required Supplementary Information*  
*Condition Assessments of the County's Infrastructure*  
*Reported Using the Modified Approach*  
*For the Year Ended December 31, 2015*

**BRIDGE CONDITION 2015**

<b>CONDITION DESCRIPTION</b>	<b>BRIDGE CONDITION (GA)</b>	<b># OF BRIDGES</b>	<b>% OF BRIDGES</b>	<b>PERCENT ACCUMULATION</b>
EXCELLENT	9	13	4.69%	4.69%
VERY GOOD	8	30	10.83%	15.52%
GOOD	7	52	18.77%	34.30%
SATISFACTORY	6	66	23.83%	58.12%
FAIR	5	92	33.21%	91.34%
POOR	4	21	7.58%	98.92%
SERIOUS	3	2	0.72%	99.64%
CRITICAL	2	1	0.36%	100.00%
IMMINENT FAILURE	1	0	0.00%	100.00%
CLOSED	0	0	0.00%	100.00%
TOTALS		277	100.00%	

91.34% of structures exceed the goal of 80% of structures having a rating of '5 – Fair' or better in 2015.

**BRIDGE CONDITION 2014**

<b>CONDITION DESCRIPTION</b>	<b>BRIDGE CONDITION (GA)</b>	<b># OF BRIDGES</b>	<b>% OF BRIDGES</b>	<b>PERCENT ACCUMULATION</b>
EXCELLENT	9	8	2.89%	2.89%
VERY GOOD	8	30	10.83%	13.72%
GOOD	7	52	18.77%	32.49%
SATISFACTORY	6	66	23.83%	56.32%
FAIR	5	94	33.94%	90.25%
POOR	4	24	8.66%	98.92%
SERIOUS	3	2	0.72%	99.64%
CRITICAL	2	1	0.36%	100.00%
IMMINENT FAILURE	1	0	0.00%	100.00%
CLOSED	0	0	0.00%	100.00%
TOTALS		277	100.00%	

90.25% of structures exceed the goal of 80% of structures having a rating of '5 - Fair' or better in 2014.



**Gallia County, Ohio**  
*Required Supplementary Information*  
*Condition Assessments of the County's Infrastructure*  
*Reported Using the Modified Approach*  
*For the Year Ended December 31, 2015*

**BRIDGE CONDITION 2013**

CONDITION DESCRIPTION	BRIDGE CONDITION (GA)	# OF BRIDGES	% OF BRIDGES	PERCENT ACCUMULATION
EXCELLENT	9	4	1.44%	1.44%
VERY GOOD	8	30	10.83%	12.27%
GOOD	7	52	18.77%	31.05%
SATISFACTORY	6	66	23.83%	54.87%
FAIR	5	95	34.30%	89.17%
POOR	4	27	9.75%	98.92%
SERIOUS	3	2	0.72%	99.64%
CRITICAL	2	1	0.36%	100.00%
IMMINENT FAILURE	1	0	0.00%	100.00%
CLOSED	0	0	0.00%	100.00%
TOTALS		277	100.00%	

89.17% of structures exceed the goal of 80% of structures having a rating of '5 - Fair' or better in 2013.

A comparison of total bridge conditions for 2015, 2014, and 2013, in terms of percentage of bridge structures is presented below.

Percentage of Bridge Structures in Fair or Better Condition

2015	2014	2013
91.34%	90.25%	89.17%

Budgeted versus actual expenditures for combined road and bridge maintenance in 2015, 2014, 2013, and 2012 were:

	2015	2014	2013	2012
Budgeted	\$4,429,444	\$4,581,744	\$4,220,114	\$3,551,390
Actual	4,152,520	4,773,651	5,874,749	4,161,650
Difference	276,924	(191,907)	(1,654,635)	(610,260)

**Gallia County, Ohio**  
*Required Supplementary Information*  
*Schedule of the County's Proportionate Share of the Net Pension Liability*  
*Ohio Public Employees Retirement System - Traditional Plan*  
*Last Two Years (1)*

	2014	2013
County's Proportion of the Net Pension Liability	0.0784144%	0.0784144%
County's Proportionate Share of the Net Pension Liability	\$9,457,652	\$9,244,037
County's Covered-Employee Payroll	\$9,328,120	\$9,102,506
County's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	101.39%	101.55%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	86.45%	86.36%

(1) Information prior to 2013 is not available.

Amounts presented as of the County's measurement date which is the prior year end.

**Gallia County, Ohio**  
*Required Supplementary Information*  
*Schedule of the County's Proportionate Share of the Net Pension Liability*  
*State Teachers Retirement System of Ohio*  
*Last Three Fiscal Years (1)*

	<u>Fiscal Year 2015</u>	<u>Fiscal Year 2014</u>	<u>Fiscal Year 2013</u>
County's Proportion of the Net Pension Liability	0.00506864%	0.00475369%	0.00475369%
County's Proportionate Share of the Net Pension Liability	\$1,400,824	\$1,156,262	\$1,377,332
County's Covered-Employee Payroll	\$528,829	\$523,054	\$529,915
County's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	264.89%	221.06%	259.92%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.10%	74.70%	69.30%

(1) Information prior to 2013 is not available.

Amounts presented for each fiscal year were determined as of June 30th.

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**Gallia County, Ohio**  
*Required Supplementary Information*  
*Schedule of County Contributions*  
*Ohio Public Employees Retirement System - Traditional Plan*  
*Last Three Years (1)*

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$1,131,895	\$1,156,715	\$1,221,964
Contributions in Relation to the Contractually Required Contribution	<u>(1,131,895)</u>	<u>(1,156,715)</u>	<u>(1,221,964)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
County Covered-Employee Payroll	\$9,115,196	\$9,328,120	\$9,102,506
Contributions as a Percentage of Covered-Employee Payroll	12.42%	12.40%	13.42%

(1) Information prior to 2013 is not available.

**Gallia County, Ohio**  
*Required Supplementary Information*  
*Schedule of County Contributions*  
*State Teachers Retirement System of Ohio*  
*Last Ten Years*

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually Required Contribution	\$72,698	\$69,885	\$68,889	\$74,562
Contributions in Relation to the Contractually Required Contribution	<u>(72,698)</u>	<u>(69,885)</u>	<u>(68,889)</u>	<u>(74,562)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
County Covered-Employee Payroll	\$519,271	\$514,815	\$529,915	\$573,554
Contributions as a Percentage of Covered-Employee Payroll	14.00%	13.57%	13.00%	13.00%

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$71,705	\$81,253	\$86,365	\$96,595	\$105,151	\$67,535
<u>(71,705)</u>	<u>(81,253)</u>	<u>(86,365)</u>	<u>(96,595)</u>	<u>(105,151)</u>	<u>(67,535)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$551,577	\$625,023	\$664,346	\$743,038	\$808,854	\$519,500
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

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GALLIA COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2015

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program / Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
<i>Passed through Ohio Department of Education</i>				
Child Nutrition Cluster:				
School Breakfast Program	10.553	070615-05PU-2015 070615-05PU-2016		\$4,799 <u>2,323</u>
Total School Breakfast Program				7,122
National School Lunch Program	10.555	070615-LLP4-2015 070615-LLP4-2016		7,712 <u>3,787</u>
Total National School Lunch Program				11,499
Total Child Nutrition Cluster				18,621
<i>Passed through Ohio Department of Natural Resources</i>				
Schools and Roads - Grants to States	10.665	N/A		26,356
<i>Passed through Ohio Department of Job and Family Services</i>				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	G-1415-11-5359/G-1617-11-5513	\$19,332	<u>303,988</u>
Total U.S. Department of Agriculture				348,965
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>				
<i>Passed through Ohio Department of Development</i>				
Community Development Block Grant - State's Program				
Community Housing Improvement Program	14.228	B-C-13-1AY-1		70,375
Community Development Grant Program		B-F-13-1AY-1		96,990
Community Development Grant Program		B-F-14-1AY-1		204,882
Community Development Grant Program		B-F-15-1AY-1		3,786
Revolving loan		N/A		<u>58,649</u>
Total Community Development Block Grant - State's Program				434,682
Home Investment Partnerships Program				
Community Housing Improvement Program	14.239	B-C-13-1AY-2		101,895
Community Housing Improvement Program		B-C-15-1AY-2		5,250
Housing Program Income		N/A		<u>70,469</u>
Total Home Investment Partnerships Program				177,614
Total U.S. Department of Housing and Urban Development				612,296
<b>U.S. DEPARTMENT OF THE INTERIOR</b>				
<i>Direct from Federal Government</i>				
Payments in Lieu of Taxes	15.226	N/A		<u>22,034</u>
Total U.S. Department of the Interior				22,034
<b>U.S. DEPARTMENT OF JUSTICE</b>				
<i>Passed through the Ohio Department of Youth Services</i>				
Juvenile Accountability Block Grants	16.523	2012-JB-002-B076		10,000
<i>Passed through the Ohio Department of Public Safety - Office of Criminal Justice Services</i>				
Edward Byrne Justice Assistance Grant Formula Program	16.738	2014-JG-LLE-5214		<u>7,479</u>
Total U.S. Department of Justice				17,479
<b>U.S. DEPARTMENT OF LABOR</b>				
<i>Passed Through Workforce Investment Act Area 7</i>				
Employment Service/Wagner-Peyser Funded Activities	17.207	N/A		24,065
Workforce Investment Act (WIA) Cluster:				
WIA Adult Program	17.258	N/A		59,353
WIA Youth Activities	17.259			103,451
WIA Dislocated Worker Formula Grants	17.278			<u>245,902</u>
Total Workforce Investment Act (WIA) Cluster				408,706
Workforce Investment Act (WIA) National Emergency Grants	17.277	N/A		<u>12,384</u>
Total U.S. Department of Labor				445,155
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>				
<i>Direct from the Federal Government</i>				
Airport Improvement Program	20.106	N/A		1,217,302
<i>Passed Through Ohio Department of Transportation</i>				
Highway Planning and Construction	20.205	PID101642 PID101644 PID96793 PID98619 PID98914		21,332 18,941 150,000 3,240 <u>247,071</u>
Total Highway Planning and Construction				440,584
Total U.S. Department of Transportation				1,657,886

GALLIA COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(Continued)

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program / Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>				
<i>Passed through Ohio Department of Education</i>				
<i>Special Education Cluster (IDEA):</i>				
Special Education-Grants to States (IDEA, Part B)	84.027	070615-6BSF-2015 070615-6BSF-2016		16,266 <u>6,482</u> 22,748
Total Special Education-Grants to States (IDEA, Part B)				
Special Education-Preschool Grants (IDEA Preschool)	84.173	070615-PGS1-2015 070615-PGS1-2016		6,821 <u>2,811</u> 9,632
Total Special Education-Preschool Grants (IDEA Preschool)				
Total Special Education Cluster (IDEA)				<u>32,380</u>
Total U.S. Department of Education				32,380
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>				
<i>Passed Through Ohio Department of Job and Family Services</i>				
<i>Promoting Safe and Stable Families</i>				
Promoting Safe and Stable Families	93.556	G-1415-11-5359/G-1617-11-5513		4,728
Temporary Assistance for Needy Families	93.558	G-1415-11-5359/G-1617-11-5513	418,545	2,452,936
Child Support Enforcement	93.563	G-1415-11-5359/G-1617-11-5513		685,241
Child Care and Development Block Grant	93.575	G-1415-11-5359/G-1617-11-5513		48,977
Community Based Child Abuse Prevention Grant	93.590	G-1415-11-5359/G-1617-11-5513		1,828
Stephanie Tubbs Jones Child Welfare Services Program	93.645	G-1415-11-5359/G-1617-11-5513		24,861
Foster Care Title IV-E	93.658	G-1415-11-5359/G-1617-11-5513		100,943
Adoption Assistance	93.659	G-1415-11-5359/G-1617-11-5513		139,859
Medical Assistance Program	93.778	G-1415-11-5359/G-1617-11-5513		1,553,377
<i>Passed Through Ohio Department of Job and Family Services</i>				
Social Services Block Grant	93.667	G-1415-11-5359/G-1617-11-5513	108,594	214,973
<i>Passed Through Ohio Department of Developmental Disabilities</i>				
Social Services Block Grant	93.667	N/A		<u>17,592</u>
Total Social Services Block Grant				232,565
Total U.S. Department of Health and Human Services				5,245,315
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>				
<i>Passed Through Ohio Department of Public Safety - Emergency Management Agency</i>				
<i>Emergency Management Performance Grants</i>				
Emergency Management Performance Grants	97.042	EMW-2014-EP-00064 EMW-2015-EP-00034-S01		20,258 <u>18,392</u> 38,650
Total Emergency Management Performance Grants				
<i>Direct from the Federal Government</i>				
Port Security Grant Program	97.056	EMW-2014-PU-00599		<u>50,725</u>
Total U.S. Department of Homeland Security				89,375
<b>Total Expenditures of Federal Awards</b>			<b><u>\$546,471</u></b>	<b><u>\$8,470,885</u></b>

The accompanying notes are an integral part of this schedule.

## GALLIA COUNTY

### NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS 2 CFR 200.510(b)(6) FOR THE YEAR ENDED DECEMBER 31, 2015

#### NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Gallia County, Ohio (the County's) under programs of the federal government for the year ended December 31, 2015. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County.

#### NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following as applicable, either the cost principles contained in OMB Circular A-87 *Cost Principles for State, Local, and Indian Tribal Governments* (codified in 2 CFR Part 225), or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The County has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

#### NOTE C - SUBRECIPIENTS

The County passes certain federal awards received from Ohio Department of Job and Family Services to other governments or not-for-profit agencies (subrecipients). As Note B describes, the County reports expenditures of Federal awards to subrecipients when paid in cash.

As a subrecipient, the County has certain compliance responsibilities, such as monitoring its subrecipients to help assure they use these subawards as authorized by laws, regulations, and the provisions of contracts or grant agreements, and that subrecipients achieve the award's performance goals.

#### NOTE D - CHILD NUTRITION CLUSTER

The County commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the County assumes it expends federal monies first.

#### NOTE E - COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) REVOLVING LOAN PROGRAMS WITHOUT CONTINUING COMPLIANCE REQUIREMENTS

The County has a revolving loan fund (RLF) program to provide low-interest loans to businesses to create jobs for low to moderate income persons and also to lend money to eligible persons to rehabilitate homes. The Federal Department of Housing and Urban Development (HUD) grants money for these loans to the County passed through the Ohio Department of Development (ODOD). The Schedule reports loans made and administrative costs as disbursements on the Schedule. The County uses loan repayments and interest received to make additional loans, which the Schedule also reports. Subsequent loans are subject to the same compliance requirements imposed by HUD as the initial loans. In addition, with the approval of ODOD, the County may use repaid monies for Community Improvement projects.

These loans are collateralized by mortgages on the property.

**GALLIA COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
2 CFR 200.510(b)(6)  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(Continued)**

**NOTE F - MATCHING REQUIREMENTS**

Certain Federal programs require the County to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The County has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.



# 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*

Gallia County  
18 Locust Street  
Gallipolis, Ohio 45631

To the Board of County Commissioners:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Gallia County, Ohio (the County) as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated September 29, 2016, wherein we noted the County adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. In addition, we noted the County restated capital assets due to a prior year overstatement.

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

As part of our financial statement audit, we considered the County'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 County'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 Entity's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings that we consider a significant deficiency. We consider Finding 2015-002 to be a significant deficiency.

***Compliance and Other Matters***

As part of reasonably assuring whether the County's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2015-001.

***Entity's Response to Findings***

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

***Purpose of this Report***

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



**Dave Yost**  
Auditor of State  
Columbus, Ohio

September 29, 2016



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Gallia County  
18 Locust Street  
Gallipolis, Ohio 45631

To the Board of County Commissioners:

### ***Report on Compliance for Each Major Federal Program***

We have audited Gallia County's, Ohio (the County) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect each of the County's major federal programs for the year ended December 31, 2015. The *Summary of Auditor's Results* in the accompanying Schedule of Findings identifies the County's major federal programs.

### ***Management's Responsibility***

The County's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### ***Auditor's Responsibility***

Our responsibility is to opine on the County's compliance for each of the County's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on each of the County's major programs. However, our audit does not provide a legal determination of the County's compliance.

***Basis for Qualified Opinion on Medical Assistance Program***

As described in Finding 2015-003 in the accompanying Schedule of Findings, the County did not comply with requirements regarding cash management applicable to its CFDA 93.778 Medical Assistance Program major federal program. Compliance with this requirement is necessary, in our opinion, for the County to comply with requirements applicable to this program.

***Qualified Opinion on Medical Assistance Program***

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Medical Assistance Program* paragraph, the County complied, in all material respects, with the requirements referred to above that could directly and materially affect its *Medical Assistance Program* for the year ended December 31, 2015.

***Unmodified Opinion on the Other Major Federal Program***

In our opinion, Gallia County complied in all material respects with the requirements referred to above that could directly and materially affect its other major federal program identified in the *Summary of Auditor's Results* section of the accompanying Schedule of Findings for the year ended December 31, 2015.

The County's response to our noncompliance finding is described in the accompanying Schedule of Findings and Corrective Action Plan. We did not audit the County's response and, accordingly, we express no opinion on it.

***Report on Internal Control over Compliance***

The County's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the County's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the County's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program's compliance requirement will not be prevented, or timely detected or corrected. *A significant deficiency in internal over compliance* is a deficiency or a combination of deficiencies in internal control over compliance with a federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.



Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness, described in the accompanying Schedule of Findings as item 2015-003.

The County's response to our internal control over compliance finding is described in the accompanying Schedule of Findings and Corrective Action Plan. We did not audit the County's response and, accordingly, we express no opinion on it.

This report only describes the scope of our tests of internal control over compliance and the results of this testing based on the Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State  
Columbus, Ohio

September 29, 2016

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**GALLIA COUNTY**  
**SCHEDULE OF FINDINGS**  
**2 CFR § 200.515**  
**DECEMBER 31, 2015**

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

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unmodified
<b>(d)(1)(ii)</b>	<b>Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material weaknesses in internal control reported for major federal programs?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	
	<ul style="list-style-type: none"> <li>• Unmodified – Airport Improvement Program – CFDA #20.106</li> <li>• Modified – Medical Assistance Program – CFDA #93.778</li> </ul>	
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under 2 CFR § 200.516(a)?</b>	Yes
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	
	<ul style="list-style-type: none"> <li>• Airport Improvement Program – CFDA # 20.106</li> <li>• Medical Assistance Program – CFDA # 93.778</li> </ul>	
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 750,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee under 2 CFR §200.520?</b>	Yes

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

**FINDING NUMBER 2015-001**

**Noncompliance/Finding for Recovery**

Beginning with the first payroll distribution in 2015, the County Auditor established a Universal Payroll Schedule for all county employees. A memo dated December 3, 2014, distributed to all department heads outlined the following changes:

GALLIA COUNTY

SCHEDULE OF FINDINGS

2 CFR § 200.515

DECEMBER 31, 2016

(Continued)

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

**FINDING NUMBER 2015-001 (Continued)**

**Noncompliance/Finding for Recovery (Continued)**

"Effective check date January 9, 2015 the Auditor's payroll procedures will establish a universal payroll schedule of pay periods to be two weeks in the arrears instead of either current or 1 week back. Any new hires will start 2 weeks in the arrears effective the date of this memorandum. This change is effective for every department who is paid current or 1 week in the arrears."

"All department employees will receive a check on January 9, 2015, as usual, with the pay period dates of 12/13/2014 thru 12/26/14. No one will miss a check. Any accrual leave used on their timesheets for that period will be deducted as normal, as for the accrual leave has already been 2 weeks or 1 week in the arrears. As for the regular hours paid for this check will be adjusted at end of employment (resignation/termination/or retirement) on their final payout. The employees' department Appointing Authority will determine their final payout. Payout may be reduced for the regular hours received from the 1/9/2015 pay check by using any regular hours worked or any accumulative leave."

"If a department has something in their union agreement preventing such a change, then the Appointing Authority is authorized to approve a one-time exception with the union to follow the Auditor's universal payroll schedule, with notification to the union of the Auditor's payroll policy and procedure changes."

Due to the implementation of this change in procedures, full time County employees who were previously paid current were paid for the pay period ending December 26, 2014 twice. Sheriff department employees who were paid one week in arrears were paid for the week ended December 19, 2014 twice. Part time employees in the Clerk of Courts office were paid an additional pay based on the average of hours worked. The County Auditor's office has determined that those hours may be repaid upon termination of employment with the County, either from regular hours worked or vacation or sick leave hours accrued.

During testing of payroll for employees who terminated employment during calendar year 2015, we noted the following overpayments:

- During the process of calculating the termination payment for Childrens' Services employee, Nina Bias, an adjustment was made which increased her leave accrual by 7.7 vacation hours and 4.6 sick hours in error. This resulted in an overpayment of \$271.
- During the process of calculating the termination payment for Childrens' Services employee, Emily Fultz, the employee's final week of pay included 64 hours of sick leave which was not included on her timesheet. This employee had less than ten years of service and was not eligible to receive a payout for accumulated sick leave. In addition, an adjustment was made which increased her leave accrual by 3.1 vacation hours and 4.6 sick hours in error. This resulted in an overpayment of \$1,002.
- During the process of calculating the termination payment for Job and Family Services Child Support Enforcement employee, Lynda Smith, accrued sick leave of 1.15 hours was used as part of the calculation of the repayment of the advance. This amount was not reduced to 25% as required by county policy. This resulted in an overpayment of \$21.

GALLIA COUNTY

SCHEDULE OF FINDINGS

2 CFR § 200.515

DECEMBER 31, 2016

(Continued)

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

**FINDING NUMBER 2015-001 (Continued)**

**Noncompliance/Finding for Recovery (Continued)**

- Soil and Water employee Cory Seymour used 3.1 hours of vacation in excess of leave accrued prior to termination of his employment with the County. This resulted in an overpayment of \$42.
- Sheriff Department employee Sable Geiger was paid the balance of her vacation leave upon notification of separation of employment. However, the County did not withhold her 1/9/15 pay period advance hours. This resulted in an overpayment of \$264.
- Sheriff Department employee Rachel Harvey was paid the balance of her vacation leave upon notification of separation of employment. However, the County did not withhold her 1/9/15 pay period advance hours. This resulted in an overpayment of \$360.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code § 117.28, a finding for recovery is hereby issued for public monies illegally expended against Nina Bias in the amount of \$271 and Emily Fultz in the amount of \$1,002 and in favor of the Gallia County Childrens Services Fund for \$1,273. A finding for recovery is hereby issued for public monies illegally expended against Lynda Smith and in favor of the Gallia County Job and Family Services in the amount of \$21. A finding for recovery is hereby issued for public monies illegally expended against Cory Seymour and in favor of the Gallia County Soil and Water Fund in the amount of \$42. A finding for recovery is hereby issued for public monies illegally expended against Sable Geiger in the amount of \$264 and Rachel Harvey in the amount of \$360 and in favor of the Gallia County Work Release Center Fund for \$624.

Also, in accordance with the foregoing facts, and pursuant to Ohio Rev. Code § 117.28, a finding for recovery is hereby issued for public monies illegally expended against County Auditor, Larry Betz, and his bonding company, Erie Insurance Company, jointly and severally, in the amount of \$1,960, and in favor of the Gallia County Children's Services Fund for \$1,273, the Gallia County Child Support Enforcement Fund in the amount of \$21, the Gallia County Soil and Water Fund in the amount of \$42, and the Gallia County Work Release Center Fund for \$624.

Ms. Emily Fultz resolved the \$1,002 finding referenced above on September 23, 2016 by signing a repayment agreement requiring one payment of \$52 and 19 additional monthly payments of \$50. The initial \$52 payment was repaid on September 23, 2016 on pay-in number 88726. The amount was repaid back into the Gallia County Children's Service Fund. Ms. Lynda Smith repaid the \$21 referenced above on September 22, 2016 on pay-in number 88704. The amount was repaid back into the Gallia County Child Support Enforcement Fund. The Gallia County Soil and Water District repaid the \$42 referenced above against Soil and Water Fund employee Cory Seymour on September 28, 2016 on pay-in number 88761. The amount was repaid back into the Gallia County Soil and Water Fund.

**Officials' Response:** Certified letters were mailed to each employee for overpayment amount to be remitted to County Auditor's Office by September 21, 2016.

**GALLIA COUNTY**

**SCHEDULE OF FINDINGS**

**2 CFR § 200.515**

**DECEMBER 31, 2016**

**(Continued)**

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

**FINDING NUMBER 2015-002**

**Significant Deficiency**

Beginning with the first payroll distribution in 2015, the County Auditor established a Universal Payroll Schedule for all county employees. As noted in Finding Number 2015-001, this change was effective for every department who was paid current or 1 week in the arrears.

During our testing, we noted the following significant deficiencies:

- Unbeknownst to the Payroll Department, the 911 Center had not converted to the Universal Payroll System and as of the audit date was still paying one week in arrears.
- Unbeknownst to the Payroll Department, Emergency Medical Services had not converted to the Universal Payroll System until March 18, 2016.
- The Payroll Department did maintain a copy of the December 26, 2014 paid on January 9, 2015 in order to document the amount of the overpayment for full time employees which had previously been paid current. However, the Payroll Department did not maintain a master list of amounts owed by employees who were paid one week in arrears or who were paid less than full time.
- We noted that two employees left the Sheriff's Department without notifying the Payroll Department of their separation. As such, their final regular paycheck was for hours worked and did not include repayment of the 1/9 pay period advance hours. However a vacation payout was paid after notification of their separation and the hours owed for the 1/9 pay period were still not withheld from their vacation payout which resulted in overpayments totaling \$624.
- We noted errors in adjustments to accrued leave for two Children's Services employees which resulted in overpayments totaling \$318.
- We noted the payout calculation for one Children's Services employee included the usage of accrued sick leave when the employee was not eligible for a sick leave payout upon termination. This resulted in overpayments totaling \$955.
- We noted the payout calculation for one Job and Family Services employee included the usage of accrued sick leave which was not reduced to 25% as required by county policy prior to inclusion in the calculation which resulted in an overpayment of \$21.
- We noted an unsupported adjustment of 24 hours to accrued leave for a Clerk of Courts which could have resulted in an overpayment of \$459, but ultimately did not. Instead, her previous service credit had not been given back to her which qualified her for a sick leave payout upon retirement resulting in an underpayment of \$491.
- We noted errors in the payout calculation for a 911 Center employee which resulted in an underpayment of \$220.
- We noted one Clerk of Courts employee returned to employment within ten years of separation and was not credited with prior accumulated sick leave as provided by county policy.

**GALLIA COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
DECEMBER 31, 2016  
(Continued)**

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

**FINDING NUMBER 2015-002 (Continued)**

- We noted three Sheriff's Department employees listed on the Sheriff's Department master file as owing a repayment who did not receive an advance.

The above noted errors also resulted in Findings for Recovery totaling \$1,960 as well as underpayments to employees totaling \$711.

The County Auditor's Office should follow-up and ensure that all County departments are following the Universal Payroll Schedule as adopted by the County Auditor. A master list of amounts owed by each employee should be maintained in the Payroll Department. In addition, there needs to be communication between the Payroll Department and the individual departments concerning transfers and terminations. No adjustment should be made to the leave accrual balances without detailed supporting documentation. Repayment should only be made from hours worked or leave subject to payout upon termination.

**Officials' Response:** A corrected Master List from the Auditor's office will be sent to each department for them to verify the information is correct along with notice explaining the proper payout procedures on how to complete the Universal Payroll advance pay back on each employee's termination from the January 9, 2015 payroll check date. All departments will be notified that any adjustments will only be processed with supporting documentation attached with the request. All departments will also be notified that any payroll issues, new hires, or terminations must notify the Auditor's office the same day.

**3. FINDINGS FOR FEDERAL AWARDS**

<b>Finding Number</b>	2015-003		
<b>CFDA Title and Number</b>	CFDA #93.778		
<b>Federal Award Identification Number / Year</b>	G-1415-11-5359/G-1617-11-5513		
<b>Federal Agency</b>	U.S. Department of Health and Human Services		
<b>Pass-Through Entity</b>	Ohio Department of Job and Family Services		
<b>Repeat Finding from Prior Audit?</b>	No	<b>Finding Number (if repeat)</b>	

**Noncompliance Citation and Material Weakness – Cash Management**

45 CFR 92.20(b)(7) states procedures for minimizing the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by grantees and subgrantees must be followed whenever advance payment procedures are used. Grantees must establish reasonable procedures to ensure the receipt of reports on subgrantees' cash balances and cash disbursements in sufficient time to enable them to prepare complete and accurate cash transactions reports to the awarding agency. When advances are made by letter-of-credit or electronic transfer of funds methods, the grantee must make drawdowns as close as possible to the time of making disbursements. Grantees must monitor cash drawdowns by their subgrantees to assure that they conform substantially to the same standards of timing and amount as apply to advances to the grantees.

GALLIA COUNTY

SCHEDULE OF FINDINGS

2 CFR § 200.515

DECEMBER 31, 2016

(Continued)

**3. FINDINGS FOR FEDERAL AWARDS (Continued)**

**Noncompliance Citation and Material Weakness – Cash Management (Continued)**

Job and Family Services Fiscal Administrative Procedures Manual section 5101:9-7-03 (B)(1) states that cash drawn in advance must be limited to the minimum amount needed for actual, immediate requirements. The CDJFS shall have cash management procedures in place to ensure the time elapsing between the receipt of funds and the disbursement of funds does not exceed a ten day average for all federal and state operating allocations.

- The balance of Medicaid Assistance Transportation NET funds on hand at January 1, 2015 was \$140,294. This amount was carried until an end of quarter adjustment was made on March 20, 2015.
- Expenditures totaling \$99,635 reported on the draw for May 1, 2015 were also included on the draw for May 8, 2015. This resulted in an unexpended balance on hand which was not entirely disbursed until June 11, 2015.
- On June 19, 2015 an advance draw was made in anticipation of the State Fiscal Year end. The unexpended balance on hand on June 29, 2015 was \$67,512 which was not entirely disbursed until July 23, 2015.
- On October 2, 2015 an advance draw was made at the close out of the Federal Fiscal Year end. The unexpended balance on hand on October 12, 2015 was \$334,908 which was not adjusted until November 6, 2015.

The Fiscal Supervisor should review fund balances on the over/under report periodically to ensure that all federal receipts are expended within the required period.

**Officials' Response:**

*1<sup>st</sup>, 3<sup>d</sup> and 4<sup>th</sup> bullet point:*

Gallia County Department of Job and Family Services, (the Agency) has cash management procedures in place to minimize the time elapsing between expenditures and corresponding draw requests for reimbursement. A spreadsheet is used to enter direct and projected indirect expenditures and then a draw request is made on the same day that the county auditor pays the expenditure. This spreadsheet and corresponding reviews of the various reports from CFIS Leger as well as projected indirect expenditures are and will continue to be monitored regularly. This process has proved to work without over advancement and in identifying human errors except during the State/Federal and County Yearend Closeouts. At these yearend closeouts the agency is not allowed to complete draw request the last two/three weeks of June, September and December. The Agency estimates what should be paid by the County Auditor during these two/three weeks and request the draw with the anticipation of the invoices coming in timely. In addition, the Agency is now able to complete a net zero voucher request during the close out period (which is a method to move draws around within the Agency grants to balance out over/under draws) and will utilize this for the first draw available in January, July and October to balance any overdrawn funds, in individual grants, to attempt to ensure that the carryover is not available longer than 10 days. However, differences in estimates vs actual during this time may cause over draws and with how the State (Ohio Department of Job and Family Services) financial management system is set up for each of the three yearend closeout cycles, even with all good intentions, there will be instances where no County Job and Family Service Agency in the State of Ohio will be able to stay within the ten day average for all federal and state operating allocations compliance requirement without going into a negative fund balance at the local level or obtaining a significant advance from the County General Fund. Therefore, the Agency will, to the best of their ability, not close with a negative fund balance for it would be injudicious to risk funding for general fund critical departments, (such as the Sheriff's Department), to avoid noncompliance during these three yearend closeout periods that are out of the Agency's control.



**GALLIA COUNTY**  
**SCHEDULE OF FINDINGS**  
**2 CFR § 200.515**  
**DECEMBER 31, 2016**  
**(Continued)**

<b>3. FINDINGS FOR FEDERAL AWARDS (Continued)</b>
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**Noncompliance Citation and Material Weakness – Cash Management (Continued)**

*2<sup>nd</sup> bullet point:*

The Agency had used the spreadsheet with direct and indirect expenditures to request a draw on May 1, 2015. Fiscal Supervisor had checked the payment schedule for the draw on May 1, 2015 and it showed in the CFIS system that the draw had not been processed. Those expenditures were to be paid at the auditor's office on May 1, 2016. Therefore, the draw request was made again on May 8, 2015 which put the expenditures as a two week lapse. During the time that the draw request was made and processed the State released the other request (May 1<sup>st</sup>) resulting in the Agency being over drawn. This error resulted from a human error on the Agency's part and a system error on the States part. Although such errors are not common, the Agency does have a backup quarterly monitoring process that identified this error and, as such, was corrected.

**GALLIA COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
2 CFR 200.511(b)  
DECEMBER 31, 2015**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2014-001	Finding for Recovery - Dog Warden	Fully Corrected	

**GALLIA COUNTY**

**CORRECTIVE ACTION PLAN  
2 CFR § 200.511(c)  
DECEMBER 31, 2016**

<b>Finding Number</b>	<b>Planned Corrective Action</b>	<b>Anticipated Completion Date</b>	<b>Responsible Contact Person</b>
2015-001	See Officials Response in the accompanying Schedule of Findings.	September 13, 2016	Larry Betz, County Auditor
2015-002	See Officials Response in the accompanying Schedule of Findings.	September 30, 2016	Larry Betz, County Auditor
2015-003	<p>Gallia County Department of Job and Family Services (the Agency) will continue to use the existing control process to request draws. In that, the spreadsheets already in place along with reports from the State (Ohio Department of Job and Family Services) provided system (CFIS Ledger) and the Agency spreadsheets for projected indirect expenditures. The Agency will upload expenditures in the CFIS system (including RMS) on a weekly basis to ensure that most if not all expenditures are captured and show on the Over/Under report, (realizing that this still does not mean the CFIS reports are correct until the quarterly close out is completed). The Agency will use the CFIS Over/Under report along with the other CFIS reports and the Agency's spreadsheet projections to complete the draw to cover expenses on a weekly reimbursement basis. Furthermore, the Agency will complete zero vouchers in the CFIS system to balance among all grants in the PA fund to eliminate one grant showing overdrawn and another grant showing underdrawn. However, differences in estimates vs actual during this time may cause over draws and with how the State financial management system is set up for each of the three yearend closeout cycles as well as the net zero voucher process, even with all good intentions, there will be instances where no County Job and Family Service Agency in the State of Ohio will be able to stay within the ten day average for all federal and state operating allocations compliance requirements. The Agency will continue to use the existing quarterly monitoring process as a backup procedures to the Agency's initial control process over draws. Although the quarterly backup process will not prevent non-compliance within the ten day rule, as indicated in this finding, it helps assures that human/system errors are identified/resolved using accurate (quarterly closeout) information. No corrective action procedures will guarantee accuracy until the CFIS reporting is accurate on a ten day cycle or the State revises FAPM or clarifies the intent of the "ten day <u>average</u> for <u>all</u> federal and state operating allocations" to reflect how the CFIS reporting reflects the ten day average for all federal and state operating funds.</p>	September 1, 2016	Kathy Campbell, Fiscal Supervisor

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# Dave Yost • Auditor of State

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 10, 2016