



**CITY OF GALLIPOLIS
GALLIA COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 1998



**JIM PETRO
AUDITOR OF STATE**

STATE OF OHIO

**CITY OF GALLIPOLIS
GALLIA COUNTY**

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STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

743 East State Street
Athens Mall, Suite B
Athens, Ohio 45701

Telephone 740-594-3300
800-441-1389

Facsimile 740-594-2110

REPORT OF INDEPENDENT ACCOUNTANTS

City of Gallipolis
Gallia County
518 Second Avenue
Gallipolis, Ohio 45631

To the City Commission:

We have audited the accompanying general purpose financial statements of the City of Gallipolis, Gallia County, Ohio, (the City) as of and for the year ended December 31, 1998, as listed in the table of contents. These general purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of City of Gallipolis, Gallia County, as of December 31, 1998, and the results of its operations and the cash flows of its proprietary fund type and nonexpendable trust fund for the year then ended in conformity with generally accepted accounting principles.

As described in Note 3 to the accompanying general purpose financial statements, during the year ended December 31, 1998, the City changed its method of accounting for investments and deferred compensation.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2000 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Jim Petro
Auditor of State

October 24, 2000

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**CITY OF GALLIPOLIS
GALLIA COUNTY**

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
AS OF DECEMBER 31, 1998**

	- - - - - Governmental Fund Types - - - - -				Proprietary Fund Type	Fiduciary Fund Types	- - Account Groups - -		Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Debt Service	Enterprise	Trust & Agency	General Fixed Assets	General Long-Term Obligations	
Assets									
Equity in Pooled Cash	\$711,901	\$501,043	\$747,384	\$37,692	\$1,153,087	\$31,517	\$0	\$0	\$3,182,624
Cash and Cash Equivalents in Segregated Accounts	0	0	0	0	0	105,808	0	0	105,808
Receivables:									
Property Taxes	102,046	0	0	35,074	0	0	0	0	137,120
Income Taxes	134,490	0	0	0	0	0	0	0	134,490
Accounts	11,913	494	0	0	420,095	0	0	0	432,502
Interfund	8,768	0	0	0	0	0	0	0	8,768
Special Assessments	0	0	0	71,892	0	0	0	0	71,892
Accrued Interest	148	88	32	9	130	2	0	0	409
Due from Other Governments	54,054	10,854	0	0	372	0	0	0	65,280
Materials and Supplies Inventory	4,048	20,433	0	0	77,083	0	0	0	101,564
Prepaid Items	10,214	944	0	0	11,104	0	0	0	22,262
Restricted Assets:									
Equity in Pooled Cash	0	0	0	0	215,039	0	0	0	215,039
Fixed Assets, (Net where applicable of Accumulated Depreciation)	0	0	0	0	2,464,926	0	2,524,721	0	4,989,647
Other Debits									
Amount Available in Debt Service Fund for Retirement of General Obligation Bonds	0	0	0	0	0	0	0	37,613	37,613
Amount to be Provided from General Government Resources	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>145,454</u>	<u>145,454</u>
Total Assets	<u>1,037,582</u>	<u>533,856</u>	<u>747,416</u>	<u>144,667</u>	<u>4,341,836</u>	<u>137,327</u>	<u>2,524,721</u>	<u>183,067</u>	<u>9,650,472</u>
Liabilities									
Accounts Payable	35,101	159,242	697,396	88	33,049	0	0	0	924,876
Interfund Payable	0	0	8,768	0	0	0	0	0	8,768
Accrued Wages and Benefits	7,996	1,421	0	0	4,134	0	0	0	13,551
Compensated Absences Payable	16,426	374	0	0	93,540	0	0	103,067	213,407
Due to Other Governments	82,706	10,762	0	0	36,431	105,808	0	0	235,707
Deferred Revenue	102,046	0	0	106,966	0	0	0	0	209,012
Accrued Interest Payable	4,870	163	7,448	0	135,110	0	0	0	147,591
Notes Payable	305,000	5,000	582,000	0	0	0	0	0	892,000
General Obligation Bonds Payable	0	0	0	0	0	0	0	80,000	80,000
Capital Leases Payable	0	0	0	0	16,578	0	0	0	16,578
OWDA Loans Payable	0	0	0	0	2,417,568	0	0	0	2,417,568
OPWC Loans Payable	0	0	0	0	106,478	0	0	0	106,478
Mortgage Revenue Bonds Payable	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,285,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,285,000</u>
Total Liabilities	<u>554,145</u>	<u>176,962</u>	<u>1,295,612</u>	<u>107,054</u>	<u>4,127,888</u>	<u>105,808</u>	<u>0</u>	<u>183,067</u>	<u>6,550,536</u>
Fund Equity and Other Credits									
Investment in General Fixed Assets	0	0	0	0	0	0	2,524,721	0	2,524,721
Contributed Capital	0	0	0	0	30,602	0	0	0	30,602
Retained Earnings:									
Unreserved	0	0	0	0	183,346	0	0	0	183,346
Fund Balance:									
Reserved for Endowment	0	0	0	0	0	22,442	0	0	22,442
Reserved for Encumbrances	43,042	236,676	0	0	0	1,938	0	0	281,656
Reserved for Inventory	4,048	20,433	0	0	0	0	0	0	24,481
Reserved for Unclaimed Monies	2,498	0	0	0	0	0	0	0	2,498
Unreserved:									
Undesignated	<u>433,849</u>	<u>99,785</u>	<u>(548,196)</u>	<u>37,613</u>	<u>0</u>	<u>7,139</u>	<u>0</u>	<u>0</u>	<u>30,190</u>
Total Fund Equity	<u>483,437</u>	<u>356,894</u>	<u>(548,196)</u>	<u>37,613</u>	<u>213,948</u>	<u>31,519</u>	<u>2,524,721</u>	<u>0</u>	<u>3,099,936</u>
Total Liabilities and Fund Equity	<u>\$1,037,582</u>	<u>\$533,856</u>	<u>\$747,416</u>	<u>\$144,667</u>	<u>\$4,341,836</u>	<u>\$137,327</u>	<u>\$2,524,721</u>	<u>\$183,067</u>	<u>\$9,650,472</u>

See accompanying notes to the General Purpose Financial Statements

**CITY OF GALLIPOLIS
GALLIA COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
FOR THE YEAR ENDED DECEMBER 31, 1998**

	<u>Governmental Fund Types</u>				<u>Fiduciary Fund Type</u>	Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Expendable Trust</u>	
Revenues:						
Municipal Income Tax	\$1,368,573	\$0	\$0	\$0	\$0	\$1,368,573
Property and Other Taxes	101,627	0	60,246	13,160	0	175,033
Charges for Services	230,333	34,157	0	0	0	264,490
Licenses and Permits	57,285	150	0	0	0	57,435
Fines and Forfeitures	342,236	98,912	0	0	0	441,148
Intergovernmental	268,835	187,758	40,250	2,922	0	499,765
Special Assessments	0	0	0	41,478	0	41,478
Interest	26,301	22,088	14,752	3,271	426	66,838
Other	<u>160,301</u>	<u>21,537</u>	<u>7,161</u>	<u>0</u>	<u>3,065</u>	<u>192,064</u>
Total Revenues	<u>2,555,491</u>	<u>364,602</u>	<u>122,409</u>	<u>60,831</u>	<u>3,491</u>	<u>3,106,824</u>
Expenditures:						
Current:						
General Government	1,008,576	70,622	0	438	0	1,079,636
Security of Persons and Property	934,130	31,535	0	0	0	965,665
Public Health and Welfare	58,566	97,869	0	0	0	156,435
Transportation	62,288	387,166	56,462	0	0	505,916
Community Environment	136,535	5,010	43,020	0	0	184,565
Leisure Time Activities	156,387	0	11,000	0	1,780	169,167
Capital Outlay	30,109	0	688,846	0	0	718,955
Debt Service:						
Principal Retirement	0	0	0	71,000	0	71,000
Interest and Fiscal Charges	<u>4,870</u>	<u>103</u>	<u>7,448</u>	<u>9,692</u>	<u>0</u>	<u>22,113</u>
Total Expenditures	<u>2,391,461</u>	<u>592,305</u>	<u>806,776</u>	<u>81,130</u>	<u>1,780</u>	<u>3,873,452</u>
Excess of Revenues Over (Under) Expenditures	164,030	(227,703)	(684,367)	(20,299)	1,711	(766,628)
Other Financing Sources (Uses):						
Operating Transfers - In	3,442	163,191	98,327	67,533	0	332,493
Operating Transfers - Out	<u>(225,024)</u>	<u>0</u>	<u>(3,442)</u>	<u>(99,939)</u>	<u>0</u>	<u>(328,405)</u>
Total Other Financing Sources (Uses)	<u>(221,582)</u>	<u>163,191</u>	<u>94,885</u>	<u>(32,406)</u>	<u>0</u>	<u>4,088</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(57,552)	(64,512)	(589,482)	(52,705)	1,711	(762,540)
Fund Balances at Beginning of Year	542,491	423,747	41,286	90,318	7,366	1,105,208
Increase (Decrease) in Reserve for Inventory	<u>(1,502)</u>	<u>(2,341)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(3,843)</u>
Fund Balances at End of Year	<u>\$483,437</u>	<u>\$356,894</u>	<u>(\$548,196)</u>	<u>\$37,613</u>	<u>\$9,077</u>	<u>\$338,825</u>

See accompanying notes to the General Purpose Financial Statements

CITY OF GALLIPOLIS
GALLIA COUNTY

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL BASIS (BUDGET BASIS)
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
FOR THE YEAR ENDED DECEMBER 31, 1998**

	<u>General Fund</u>			<u>Special Revenue Funds</u>			<u>Capital Projects Funds</u>		
	Budget	Actual	Variance (Favorable/ Unfavorable)	Budget	Actual	Variance (Favorable/ Unfavorable)	Budget	Actual	Variance (Favorable/ Unfavorable)
Revenues:									
Municipal Income Tax	\$1,175,000	\$1,360,556	\$185,556	\$0	\$0	\$0	\$0	\$0	\$0
Property and Other Taxes	93,723	101,627	7,904	0	0	0	0	13,014	13,014
Charges for Services	228,724	220,201	(8,523)	37,282	34,482	(2,800)	0	0	0
Licenses and Permits	65,000	60,327	(4,673)	250	150	(100)	0	0	0
Fines and Forfeitures	346,000	342,256	(3,744)	93,350	98,912	5,562	0	0	0
Intergovernmental	274,456	278,602	4,146	272,649	219,415	(53,234)	50,574	40,250	(10,324)
Special Assessments	0	0	0	0	0	0	0	0	0
Interest	34,000	52,432	18,432	10,120	26,842	16,722	20,394	12,497	(7,897)
Other	48,357	161,441	113,084	386,202	26,718	(359,484)	8,768	7,161	(1,607)
Total Revenues	2,265,260	2,577,442	312,182	799,853	406,519	(393,334)	79,736	72,922	(6,814)
Expenditures:									
Current:									
General Government	1,159,480	1,034,016	125,464	178,858	85,492	93,366	0	0	0
Security of Persons and Property	1,001,029	988,244	12,785	56,114	35,299	20,815	0	0	0
Public Health and Welfare	63,098	58,785	4,313	194,371	101,417	92,954	0	0	0
Transportation	67,244	63,011	4,233	641,086	617,454	23,632	58,575	56,462	2,113
Community Environment	205,387	161,362	44,025	18,610	15,460	3,150	47,768	43,020	4,748
Leisure Time Activities	167,423	161,828	5,595	200	0	200	21,324	11,000	10,324
Capital Outlay	43,589	33,589	10,000	0	0	0	697,396	697,396	0
Debt Service:									
Principal Retirement	0	0	0	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0	0	0	0
Total Expenditures	2,707,250	2,500,835	206,415	1,089,239	855,122	234,117	825,063	807,878	17,185
Excess of Revenues Over (Under) Expenditures	(441,990)	76,607	518,597	(289,386)	(448,603)	(159,217)	(745,327)	(734,956)	10,371
Other Financing Sources (Uses):									
Proceeds of Notes	0	0	0	5,000	5,000	0	582,000	582,000	0
Advances - In	24,267	15,499	(8,768)	0	0	0	8,768	8,768	0
Advances - Out	(8,768)	(8,768)	0	(15,499)	(15,499)	0	(8,768)	0	8,768
Operating Transfers - In	0	3,442	3,442	164,968	163,191	(1,777)	150,194	147,881	(2,313)
Operating Transfers - Out	(252,153)	(250,492)	1,661	(10,731)	(10,531)	200	(3,442)	(3,442)	0
Total Other Financing Sources (Uses)	(236,654)	(240,319)	(3,665)	143,738	142,161	(1,577)	728,752	735,207	6,455
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(678,644)	(163,712)	514,932	(145,648)	(306,442)	(160,794)	(16,575)	251	16,826
Fund Balances at Beginning of Year	628,789	628,789	0	329,561	329,561	0	40,562	40,562	0
Prior Year Encumbrances Appropriated	177,453	177,453	0	82,259	82,259	0	9,175	9,175	0
Fund Balances at End of Year	\$127,598	\$642,530	\$514,932	\$266,172	\$105,378	(\$160,794)	\$33,162	\$49,988	\$16,826

See accompanying notes to the General Purpose Financial Statements.

CITY OF GALLIPOLIS
GALLIA COUNTY

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL BASIS (BUDGET BASIS)
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
FOR THE YEAR ENDED DECEMBER 31, 1998**

	<u>Debt Service Funds</u>			<u>Expendable Trust Funds</u>			<u>Totals</u>		
	<u>Budget</u>	<u>Actual</u>	Variance (Favorable/ Unfavorable)	<u>Budget</u>	<u>Actual</u>	Variance (Favorable/ Unfavorable)	<u>Budget</u>	<u>Actual</u>	Variance (Favorable/ Unfavorable)
Revenues:									
Municipal Income Tax	\$0	\$0	\$0	\$0	\$0	\$0	\$1,175,000	\$1,360,556	\$185,556
Property and Other Taxes	60,392	60,392	0	0	0	0	154,115	175,033	20,918
Charges for Services	0	0	0	0	0	0	266,006	254,683	(11,323)
Licenses and Permits	0	0	0	0	0	0	65,250	60,477	(4,773)
Fines and Forfeitures	0	0	0	0	0	0	439,350	441,168	1,818
Intergovernmental	2,922	2,922	0	0	0	0	600,601	541,189	(59,412)
Special Assessments	42,533	41,478	(1,055)	0	0	0	42,533	41,478	(1,055)
Interest	7,823	9,270	1,447	375	574	199	72,712	101,615	28,903
Other	0	0	0	0	3,065	3,065	443,327	198,385	(244,942)
Total Revenues	113,670	114,062	392	375	3,639	3,264	3,258,894	3,174,584	(84,310)
Expenditures:									
Current:									
General Government	488	438	50	0	0	0	1,338,826	1,119,946	218,880
Security of Persons and Property	0	0	0	0	0	0	1,057,143	1,023,543	33,600
Public Health and Welfare	0	0	0	0	0	0	257,469	160,202	97,267
Transportation	0	0	0	0	0	0	766,905	736,927	29,978
Community Environment	0	0	0	0	0	0	271,765	219,842	51,923
Leisure Time Activities	0	0	0	4,168	3,718	450	193,115	176,546	16,569
Capital Outlay	0	0	0	0	0	0	740,985	730,985	10,000
Debt Service:									
Principal Retirement	696,344	696,344	0	0	0	0	696,344	696,344	0
Interest and Fiscal Charges	377,026	377,026	0	0	0	0	377,026	377,026	0
Total Expenditures	1,073,858	1,073,808	50	4,168	3,718	450	5,699,578	5,241,361	458,217
Excess of Revenues Over (Under) Expenditures	(960,188)	(959,746)	442	(3,793)	(79)	3,714	(2,440,684)	(2,066,777)	373,907
Other Financing Sources (Uses):									
Proceeds of Notes	280,000	305,000	25,000	0	0	0	867,000	892,000	25,000
Advances - In	0	0	0	0	0	0	33,035	24,267	(8,768)
Advances - Out	0	0	0	0	0	0	(33,035)	(24,267)	8,768
Operating Transfers - In	765,247	753,288	(11,959)	0	0	0	1,080,409	1,067,802	(12,607)
Operating Transfers - Out	(149,533)	(149,533)	0	0	0	0	(415,859)	(413,998)	1,861
Total Other Financing Sources (Uses)	895,714	908,755	13,041	0	0	0	1,531,550	1,545,804	14,254
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(64,474)	(50,991)	13,483	(3,793)	(79)	3,714	(909,134)	(520,973)	388,161
Fund Balances at Beginning of Year	337,494	337,494	0	7,216	7,216	0	1,343,622	1,343,622	0
Prior Year Encumbrances Appropriated	88	88	0	0	0	0	268,975	268,975	0
Fund Balances at End of Year	\$273,108	\$286,591	\$13,483	\$3,423	\$7,137	\$3,714	\$703,463	\$1,091,624	\$388,161

See accompanying notes to the General Purpose Financial Statements.

**CITY OF GALLIPOLIS
GALLIA COUNTY**

**COMBINED STATEMENT OF REVENUES
EXPENSES, AND CHANGES IN RETAINED EARNINGS/FUND EQUITY
PROPRIETARY FUND TYPE AND NON-EXPENDABLE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 1998**

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise Funds	Non-Expendable Trust Fund	(Memorandum Only)
Operating Revenues:			
Charges for Services	\$2,418,718	\$0	\$2,418,718
Tap-In Fees	27,849	0	27,849
Other Operating Revenues	<u>52,669</u>	<u>0</u>	<u>52,669</u>
Total Operating Revenues	<u>2,499,236</u>	<u>0</u>	<u>2,499,236</u>
Operating Expenses:			
Personal Services	837,348	0	837,348
Contractual Services	529,986	0	529,986
Materials and Supplies	264,500	0	264,500
Depreciation	438,410	0	438,410
Debt Service:			
Interest and Fiscal Charges	<u>342,414</u>	<u>0</u>	<u>342,414</u>
Total Operating Expenses	2,412,658	0	2,412,658
Operating Income (Loss)	<u>86,578</u>	<u>0</u>	<u>86,578</u>
Non-Operating Revenues (Expenses):			
Intergovernmental	65,213	0	65,213
Interest Income	<u>63,358</u>	<u>0</u>	<u>63,358</u>
Total Non-Operating Revenues (Expenses)	<u>128,571</u>	<u>0</u>	<u>128,571</u>
Income (Loss) Before Operating Transfers	<u>215,149</u>	<u>0</u>	<u>215,149</u>
Operating Transfers - In	22,600	0	22,600
Operating Transfers - Out	<u>(26,688)</u>	<u>0</u>	<u>(26,688)</u>
Net Income (Loss)	211,061	0	211,061
Retained Earnings/Fund Balance at Beginning of Year	<u>(27,715)</u>	<u>22,442</u>	<u>(5,273)</u>
Retained Earnings/Fund Balance at End of Year	183,346	22,442	205,788
Contributed Capital at Beginning of Year	30,602	0	30,602
Contributed Capital at End of Year	<u>30,602</u>	<u>0</u>	<u>30,602</u>
Total Fund Equity at End of Year	<u>\$213,948</u>	<u>\$22,442</u>	<u>\$236,390</u>

See accompanying notes to the General Purpose Financial Statements

**CITY OF GALLIPOLIS
GALLIA COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND EQUITY - BUDGET AND ACTUAL (BUDGET BASIS)
PROPRIETARY FUND TYPE AND NON-EXPENDABLE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 1998**

	<u>Enterprise Funds</u>			<u>Non-Expendable Trust Fund</u>			<u>Totals</u>		
	<u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>	<u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>	<u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
Revenues:									
Charges for Services	\$2,295,428	\$2,305,639	\$10,211	\$0	\$0	\$0	\$2,295,428	\$2,305,639	\$10,211
Tap-In Fees	18,850	27,849	8,999	0	0	0	18,850	27,849	8,999
Interest	51,300	70,180	18,880	0	0	0	51,300	70,180	18,880
Other Operating Revenues	<u>12,250</u>	<u>89,032</u>	<u>76,782</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>12,250</u>	<u>89,032</u>	<u>76,782</u>
Total Revenues	<u>2,377,828</u>	<u>2,492,700</u>	<u>114,872</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,377,828</u>	<u>2,492,700</u>	<u>114,872</u>
Expenses:									
Current:									
Personal Services	878,268	845,226	33,042	0	0	0	878,268	845,226	33,042
Contractual Services	732,122	635,163	96,959	0	0	0	732,122	635,163	96,959
Materials and Supplies	323,717	286,681	37,036	0	0	0	323,717	286,681	37,036
Capital Outlay	<u>159,469</u>	<u>92,323</u>	<u>67,146</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>159,469</u>	<u>92,323</u>	<u>67,146</u>
Total Expenses	<u>2,093,576</u>	<u>1,859,393</u>	<u>234,183</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,093,576</u>	<u>1,859,393</u>	<u>234,183</u>
Excess of Revenues Over (Under) Expenses before Operating Transfers	284,252	633,307	349,055	0	0	0	284,252	633,307	349,055
Other Financing Sources (Uses):									
Intergovernmental	0	65,213	65,213	0	0	0	0	65,213	65,213
Operating Transfers - In	22,600	22,600	0	0	0	0	22,600	22,600	0
Operating Transfers - Out	<u>(690,597)</u>	<u>(676,404)</u>	<u>14,193</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(690,597)</u>	<u>(676,404)</u>	<u>14,193</u>
Total Other Financing Sources (Uses)	(667,997)	(588,591)	79,406	0	0	0	(667,997)	(588,591)	79,406
Excess of Revenues Over (Under) Expenses and Operating Transfers	(383,745)	44,716	428,461	0	0	0	(383,745)	44,716	428,461
Fund Equity at Beginning of Year	791,816	791,816	0	22,442	22,442	0	814,258	814,258	0
Prior Year Encumbrances Appropriated	<u>129,803</u>	<u>129,803</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>129,803</u>	<u>129,803</u>	<u>0</u>
Fund Equity at End of Year	<u>\$537,874</u>	<u>\$966,335</u>	<u>\$428,461</u>	<u>\$22,442</u>	<u>\$22,442</u>	<u>\$0</u>	<u>\$560,316</u>	<u>\$988,777</u>	<u>\$428,461</u>

See accompanying notes to the General Purpose Financial Statements

**CITY OF GALLIPOLIS
GALLIA COUNTY**

**COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE AND NON-EXPENDABLE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 1998**

	<i>Proprietary Fund Type</i>	<i>Fiduciary Fund Type Non-Expendable Trust</i>	Totals (Memorandum Only)
	<u>Enterprise</u>		
<u>Increase (Decrease) in Cash and Cash Equivalents</u>			
<u>Cash Flows from Operating Activities:</u>			
Cash Received from Customers	\$2,333,488	\$0	\$2,333,488
Cash Payments to Employees for Services and Benefits	(845,226)	0	(845,226)
Cash Payments to Suppliers for Goods and Services	(830,944)	0	(830,944)
Other Operating Revenues	<u>89,032</u>	<u>0</u>	<u>89,032</u>
Net Cash Provided by Operating Activities	<u>746,350</u>	<u>0</u>	<u>746,350</u>
<u>Cash Flows from Non-Capital Financing Activities</u>			
Operating Transfers In	22,600	0	22,600
Operating Transfers Out	<u>(26,688)</u>	<u>0</u>	<u>(26,688)</u>
Net Cash Provided by Non-Capital Financing Activities	<u>(4,088)</u>	<u>0</u>	<u>(4,088)</u>
<u>Cash Flows from Capital and Related Financing Activities</u>			
Cash Received from Grant	65,213	0	65,213
Acquisition of Capital Assets	(21,390)	0	(21,390)
Principal Paid on OWDA Loans	(186,085)	0	(186,085)
Interest Paid on OWDA Loans	(278,851)	0	(278,851)
Principal Paid on Long-Term Debt	(114,259)	0	(114,259)
Interest Paid on Long-Term Debt and Capital Leases	(70,922)	0	(70,922)
Principal Paid on Capital Leases	<u>(7,602)</u>	<u>0</u>	<u>(7,602)</u>
Net Cash Used for Capital and Related Financing Activities	<u>(613,896)</u>	<u>0</u>	<u>(613,896)</u>
<u>Cash Flows from Investing Activities:</u>			
Interest on Investments	<u>70,180</u>	<u>0</u>	<u>70,180</u>
Net Cash Provided by Investing Activities	<u>70,180</u>	<u>0</u>	<u>70,180</u>
Net Increase (Decrease) in Cash and Cash Equivalents	198,546	0	198,546
Cash and Cash Equivalents at Beginning of Year	<u>1,169,580</u>	<u>22,442</u>	<u>1,192,022</u>
Cash and Cash Equivalents at End of Year	<u>\$1,368,126</u>	<u>\$22,442</u>	<u>\$1,390,568</u>
<u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</u>			
Operating Income	\$86,578	\$0	\$86,578
Interest Expense	342,414	0	342,414
Depreciation Expense	438,410	0	438,410
<u>Changes in Assets and Liabilities:</u>			
Increase in Accounts Receivable	(77,139)	0	(77,139)
Decrease in Intergovernmental Receivable	423	0	423
Increase in Inventory	(6,748)	0	(6,748)
Increase in Prepaids	(2,944)	0	(2,944)
Decrease in Accounts Payable	(26,802)	0	(26,802)
Decrease in Accrued Salaries	(20,488)	0	(20,488)
Increase in Compensated Absences	2,969	0	2,969
Increase in Due to Other Governments	<u>9,677</u>	<u>0</u>	<u>9,677</u>
Net Cash Provided by Operating Activities	<u>\$746,350</u>	<u>\$0</u>	<u>\$746,350</u>

See accompanying notes to the General Purpose Financial Statements.

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**CITY OF GALLIPOLIS
GALLIA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1998**

Note 1 - Description of the City and Reporting Entity

The City of Gallipolis (the "City") is a charter municipal corporation, incorporated under the laws of the State of Ohio. The City operates under a part-time Commission and full-time City Manager form of government. The Commission members are elected.

Reporting Entity

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements of the City are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the City. For the City of Gallipolis, this includes police and fire protection, parks and recreation, planning, zoning, street maintenance and repair, refuse collection, water and sewer utilities, cemeteries, public health services and general administrative services.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and 1) the City is able to significantly influence the programs or services performed or provided by the organization; or 2) the City is legally entitled to or can otherwise access the organization's resources; or 3) the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization. Component units may also include organizations that are fiscally dependent on the City in that the City approves the budget, the issuance of debt, or the levying of taxes. The City has no component units.

The City is associated with the Ohio Municipal League Worker's Compensation Group Rating Plan which is an insurance purchasing pool. This organization is presented in Note 21 to the combined financial statements.

Note 2 - Summary of Significant Accounting Policies

The financial statements of the City 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 City also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the City's accounting policies are described below.

A. Basis Of Presentation - Fund Accounting

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

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining

**CITY OF GALLIPOLIS
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1998**

certain objectives in accordance with special regulations, restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

For financial statement presentation purposes, the various funds of the City are grouped into the following generic fund types under the broad fund categories governmental, proprietary and fiduciary.

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

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

Special Revenue Funds - These funds are established to account for the proceeds of specific revenue sources (other than amounts relating to major capital projects) that are legally restricted to expenditure for specified purposes.

Debt Service Funds - These funds are used to account for the accumulation of resources for, and the payment of, general and special assessment long-term debt principal, interest and related costs.

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

Proprietary Fund Types. Proprietary funds are used to account for the City's ongoing activities that are similar to those found in the private sector. The following are the City's proprietary fund types:

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

Fiduciary Fund Types. Fiduciary funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. There are two types of fiduciary funds, trust and agency. The City has expendable and non-expendable trust funds. The City's agency fund is purely custodial (assets equal liabilities) and thus does not involve measurement of results of operations.

**CITY OF GALLIPOLIS
GALLIA COUNTY**

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

General Fixed Assets Account Group - This account group accounts for all general fixed assets of the City other than those accounted for in proprietary funds.

General Long-Term Obligations Account Group - This account group accounts for all unmatured long-term indebtedness of the City that is not a specific liability of proprietary funds, including special assessment debt for which the City is obligated in some manner.

B. Measurement Focus and Basis of Accounting

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

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

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

All governmental fund types and agency funds are accounted for using the modified accrual basis of accounting. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. Measurable means the amount of the transaction can be determined and available means collectible within the current year or soon enough thereafter to be used to pay liabilities of the current year. The available period for the City is sixty days after year-end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: investment earnings, state-levied locally shared taxes (including gasoline tax), fines and forfeitures and income tax withheld by employers.

The City reports deferred revenues on its combined balance sheet. Deferred revenues arise when potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Current and delinquent property taxes measurable as of December 31, 1998, whose availability is indeterminate and which are not intended to finance current period obligations, have been recorded as a receivable and deferred revenue. Levied special assessments are measurable, and have been recorded as a receivable. Since all assessments are due outside of the available period, the entire amount has been deferred.

**CITY OF GALLIPOLIS
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
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The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

The proprietary fund types utilize the accrual basis of accounting for reporting purposes. Revenues are recognized when they are earned and become measurable and expenses are recognized when they are incurred, if measurable. Unbilled service charges receivable are recognized as revenue at year end.

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation ordinance, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations ordinance are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the fund level or at the function level depending on the fund. Any budgetary modifications at this level may only be made by resolution of the City Commission.

Tax Budget. At the first Commission meeting in July, the City Manager presents the annual operating budget for the following year to City Commission for consideration and passage. The adopted budget is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

Estimated Resources. The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the City by October 1. As part of this certification, the City receives the official certificate of estimated resources, which states the projected revenue of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation ordinance. On or about January 1, the certificate of estimated resources is amended to include unencumbered fund balances at December 31 of the preceding year. The certificate may be further amended during the year if the Auditor determines, and the Budget Commission agrees that an estimate needs to be either increased or decreased. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during 1998.

Appropriations. A temporary appropriation ordinance to control expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation ordinance must be passed by April 1 of each year for the period January 1 to December 31. The appropriation ordinance fixes spending authority at the fund, department and object level. The appropriation ordinance may be amended during the year as new information becomes available, provided that total fund appropriations

do not exceed current estimated resources, as certified. The allocation of appropriations among departments and objects within a fund may be modified during the year by an ordinance of Commission.

**CITY OF GALLIPOLIS
GALLIA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1998**

During the year, several supplemental appropriation measures were passed. None of these supplemental appropriations had any significant affect on the original appropriations. The budget figures that appear in the statements of budgetary comparisons represent the final appropriation amounts, including all amendments and modifications.

Encumbrances. As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The Ohio Revised Code prohibits expenditures plus encumbrances from exceeding appropriations at the object level within each department. On the GAAP basis, encumbrances outstanding at year-end are reported as reservations of fund balances for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

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

D. Cash and Cash Equivalents

Cash received by the City is pooled in a central bank account. Monies for all funds, including proprietary funds, are maintained in this account or temporarily used to purchase short-term investments. Individual fund integrity is maintained through City records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the balance sheet. During 1998, investments were limited to certificates of deposit. These investments are stated at cost which approximates market value.

The provisions of the Ohio Revised Code restrict investment procedures. Interest earned on all deposits and investments is distributed to the General, Maintenance & Repair Streets, State Highway Improvement, Cemeteries, Shade Tree, Law Enforcement Trust, DARE Program, Special Police, Public Art, Alcohol Enforcement & Education, Alcohol Treatment, Court Computerization, Court Mediation, Bandstand Preservation, Law Enforcement Block Grants, Capital Improvement Reserve, Streetscape Special Assessment, Water, Water Pollution Control, Sanitation, Swimming Pool, Parks Expendable Trust, and Recreation Expendable Trust funds.

The City has segregated bank accounts for monies held separate from the City's central bank account. These interest bearing depository accounts are presented in the combined balance sheet as "cash and cash equivalents in segregated accounts" since they are not required to be deposited into the City treasury. See Note 6, Deposits and Investments.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments with an original maturity of three months or less and cash and investments in the cash management pool are considered to be cash equivalents.

E. Interfund Assets and Liabilities

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables/payables."

**CITY OF GALLIPOLIS
GALLIA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1998**

F. Inventory

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

G. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary fund are capitalized in the fund.

All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost when no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend an asset's life are not capitalized. Improvements are capitalized. Improvements to fund fixed assets are depreciated over the useful lives of the related fixed assets.

Public domain ("infrastructure") general fixed assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems are not capitalized, as these assets are immovable and of value only to the government.

Assets in the general fixed assets account group are not depreciated. Depreciation of equipment, furniture and fixtures, and vehicles in the proprietary fund type is computed using the straight-line method over an estimated useful life of five to thirty years.

H. Compensated Absences

The City reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences." Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributed to services already rendered and it is probable that the City 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 the City has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at year-end, taking into consideration any limits specified in the City's termination policy.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid.

**CITY OF GALLIPOLIS
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1998**

The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

I. Fund Balance Reserves

The City records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, reserves for endowments, reserves for unclaimed monies, and inventories of supplies and materials.

J. Contributed Capital

Contributed capital represents resources from other funds, other governments, and private sources provided to proprietary funds that are not subject to repayment. These assets are recorded at their fair market value on the date donated. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year-end.

Because the City did not prepare financial statements in accordance with generally accepted accounting principles prior to fiscal year 1996, the exact amount of contributed capital cannot be determined. Consequently, only those amounts that have been specifically identified have been classified as contributed capital in the accompanying combined financial statements. All other fund equity amounts pertaining to proprietary funds have been classified as retained earnings.

K. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Transfers of resources from one fund to another fund through which resources are to be expended are recorded as operating transfers.

L. Accrued and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds, regardless of whether they will be liquidated with current resources. However, claims and judgments, compensated absences, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the general long-term obligation account group to the extent that they will not be paid with current expendable available financial resources. Payments made more than sixty days after year-end are considered not to have been made with current available financial resources. Bonds and the Ohio Public Works Commission loan are recognized as a liability of the general long-term obligations account group until due.

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

**CITY OF GALLIPOLIS
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1998**

Under Ohio law, a debt retirement fund may be created and used for the payment of bond anticipation notes. Generally accepted accounting principles require the presentation of short-term note liability in the fund that received the note proceeds, with long-term obligations presented in the general long-term obligations account group. Principal and interest payments on matured general long-term obligation and special assessment debt are reported in the debt service fund. To comply with GAAP reporting requirements, the City's debt retirement has been split among the appropriate funds and account group. Debt service fund resources used to pay both principal and interest have also been allocated accordingly.

M. Total Columns on General Purpose Financial Statements

Total columns on the general purpose financial statements are captioned "Totals (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

Note 3 – Change in Accounting Principles

For 1998, the City has implemented GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools." This statement established accounting and reporting guidelines for government investments and investment pools. Certain investments which were reported at cost in previous years are now reported at fair value.

The implementation of GASB 31 had no effect on fund balance/retained earnings as it was previously reported as of December 31, 1997.

The City has also implemented GASB Statement No. 32, "Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans" for its deferred compensation plan through Ohio Public Employees Deferred Compensation Board. On September 1, 1998, Ohio Public Employees Deferred Compensation Board created a trust for the assets of the plan for which the City has no fiduciary responsibility. Therefore, the balance of the Ohio Public Employees Deferred Compensation Board deferred compensation plan of \$138,942 was shown as a reduction in the deferred compensation agency fund.

Note 4 - Budgetary Basis of Accounting

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

The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis) - All Governmental Fund Types and Expendable Trust Funds and the Combined Statement of Revenues, Expenses and Changes in Fund Equity - Budget and Actual (Budget Basis) - Proprietary Fund Type and Non-Expendable Trust Fund are presented on the budgetary basis to provide a relevant comparison of actual results with the budget and to demonstrate compliance with State statute. The major differences between the budget basis and the GAAP basis are:

**CITY OF GALLIPOLIS
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1998**

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures/expenses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Outstanding year-end encumbrances are treated as expenditures/expenses (budget) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund types (GAAP).
4. Proceeds from and principal payment on bond anticipation notes are reported on the operating statement (budget) rather than on the balance sheet (GAAP).
5. For the proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget) rather than as balance sheet transactions (GAAP).
6. The City repays short-term note debt from the debt service fund (budget) as opposed to the fund that received the proceeds (GAAP). Debt service fund resources used to pay both principal and interest have been allocated accordingly.

Excess of Revenues and Other Financing Sources
Over (Under) Expenditures and Other Financing Uses
All Governmental Fund Types

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Expendable Trust</u>
GAAP Basis	\$(57,552)	(\$64,512)	(\$589,482)	(\$52,705)	\$1,711
Net Adjustment for Revenue Accruals	21,951	41,917	(49,487)	53,231	148
Advances In	15,499	0	8,768	0	0
Advances Out	(8,768)	(15,499)	0	0	0
Transfers In	0	0	49,554	685,755	0
Transfers Out	(25,468)	(10,531)	0	(49,594)	0
Net Adjustment for Expenditure Accruals	(50,258)	131,904	696,294	88	0
Prepays	10,214	944	0	0	0
Principal Retirement	0	0	0	(625,344)	0
Note Proceeds	0	5,000	0	305,000	0
Bond Proceeds	0	0	582,000	0	0
Interest and Fiscal Charges	0	0	0	(367,334)	0
Encumbrances	<u>(69,330)</u>	<u>(395,665)</u>	<u>(697,396)</u>	<u>(88)</u>	<u>(1,938)</u>
Budget Basis	<u>(\$163,712)</u>	<u>(\$306,442)</u>	<u>\$251</u>	<u>(\$50,991)</u>	<u>(\$79)</u>

Net Income (Loss)/Excess of Revenues
Over (Under) Expenses and Operating Transfers
Proprietary Fund Type and Non-Expendable Trust Fund

	<u>Enterprise</u>	<u>Non-Expendable Trust</u>
GAAP Basis	\$211,061	\$0
Net Adjustment for Revenue Accruals	(69,894)	0
Net Adjustment for Expense Accruals	17,568	0
Transfers Out	(649,716)	0
Interest & Fiscal Charges	342,414	0
Encumbrances	(152,804)	0
Capital Outlay	(92,323)	0
Depreciation Expense	<u>438,410</u>	<u>0</u>
Budget Basis	<u>\$44,716</u>	<u>\$0</u>

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Note 5 - Fund Deficits

The following funds had a deficit fund balance/retained earnings at December 31, 1998:

<u>Special Revenue Funds</u>	
Eastern Avenue Flood Mitigation Route	\$75,000
Eastern Avenue Alternate Access Route	\$75,000
<u>Capital Projects Funds</u>	
Capital Improvement Reserve	\$549,025
<u>Enterprise Funds</u>	
Water	\$1,580,896

The deficit in the Eastern Avenue Flood Mitigation Route, Eastern Avenue Alternate Access Route, and Capital Improvement Reserve Funds are largely the result of the recognition of liabilities in accordance with the Generally Accepted Accounting Principles. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

The deficit in the Water Fund is largely the result of rates that do not cover the true cost of operating the water fund. Management is evaluating how to resolve this issue.

Note 6 - Deposits and Investments

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

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

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

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

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

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

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1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement exceeds the principal value of the agreement by at least 2% and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAROhio).

The City may invest any monies not required to be used for a period of six months or more in the following:

1. Bonds of the State of Ohio;
2. Bonds of any municipal corporation, village, county, township or other political subdivision of this State, as to which there is not default of principal, interest or coupons; and,
3. Obligations of the City.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity.

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

GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements," requires disclosures to help assess actual and potential future deposit and investment market and credit risks. The following information regarding deposits and investments is presented using the categories of risk identified in GASB Statement 3.

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A. Deposits

At year-end, the carrying amount of the City's deposits was \$3,503,471 and the bank balance was \$3,576,888. Of the bank balance:

1. \$301,970 was covered by federal depository insurance;
2. \$3,159,962 was collateralized with securities held by the pledging financial institution's trust department or agent in the government's name; and
3. \$114,956 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 City to a successful claim by the FDIC.

Note 7 - Property Taxes

Property taxes include amounts levied against all real and public utility property, and tangible personal (used in business) property located in the City. Real property taxes were levied after October 1, 1997, on the assessed value as of January 1, 1997, the lien date, and were collected in 1998. State law at 35% of appraised market value establishes assessed values. All property is required to be revalued every six years. Public utility property taxes received in 1998 attached as a lien on December 31, 1997, were levied after October 1, 1997, and are collected with real property taxes. Public utility property taxes are assessed on tangible personal property at 88% of true value. 1998 tangible personal property taxes are levied after October 1, 1997, on the value listed as of December 31, 1997, and are collected in 1998. Tangible personal property assessments are 25% of true value. The assessed value upon which the 1998 taxes were collected was \$66,290,338. Real estate represented 71.0% (\$47,050,190) of this total, public utility tangible personal property represented 7.1% (\$4,690,170) and general tangible personal property represented 21.9% (\$14,549,978). The full tax rate for all City operations applied to taxable property for the year ended December 31, 1998, was \$2.90 per \$1,000 of assessed valuation.

Real and public utility 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 earlier or later payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder due by September 20.

The County Treasurer collects property tax on behalf of all taxing districts within the County. The County Auditor periodically remits to the taxing districts their portions of the taxes collected.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility, and tangible personal property taxes that became measurable as of December 31, 1998. However, since these tax collections will not be received during the available period nor are they intended to finance 1998 operations, the receivable is offset by a credit to deferred revenue.

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Note 8 - Receivables

Receivables at December 31, 1998, consisted of taxes, accounts (billings for user charged services), interfund, special assessments, accrued interest, and intergovernmental receivables arising from grants, entitlements and shared revenues. All receivables are considered collectible in full.

A summary of the principal items of intergovernmental receivables follows:

General Fund:	
Estate Tax	\$16,230
Local Government Tax	13,378
Defense of Indigents	2,649
Law Library	6,708
Student Resource Officer Services	3,522
Fire Contract	<u>11,567</u>
Total General Fund	54,054
Special Revenue Funds:	
Gasoline Tax	8,481
Immobilization Fees	35
Motor Vehicle Registration	<u>2,338</u>
Total Special Revenue Funds	10,854
Enterprise Funds:	
Water samples tested	80
Sewer samples tested	<u>292</u>
Total Enterprise Funds	372
Total	<u>\$65,280</u>

Note 9 - Income Tax

The City levies a municipal income tax of 1% on gross salaries, wages and other personal service compensation earned by residents of the City and on the earnings of nonresidents working within the City. This tax also applies to the net income of businesses operating within the City. Residents of the City are granted a credit for taxes paid to other municipalities.

Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City either monthly or quarterly, as required. Corporations are required to pay their estimated tax quarterly and file a declaration annually. By City ordinance, income tax proceeds are credited to the General Fund. Income tax revenue for 1998 was \$1,368,573.

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Note 10 - Fixed Assets and Depreciation

A summary of the enterprise fund's fixed assets at December 31, 1998, follows:

Land	\$306,907
Land Improvements	28,543
Underground Lines	5,659,335
Buildings	11,666,123
Improvements	1,953
Equipment-Office	16,894
Equipment-Machinery/Tools	291,299
Furniture and Fixtures	15,085
Vehicles	<u>191,316</u>
Total	\$18,177,455
Less: Accumulated Depreciation	<u>15,712,529</u>
Net Fixed Assets	<u>\$2,464,926</u>

A summary of changes in general fixed assets during 1998 follows:

	Balance January 1, <u>1998</u>	<u>Additions</u>	<u>Deductions</u>	Balance December 31, <u>1998</u>
Land	\$842,799	\$0	\$0	\$842,799
Land Improvements	48,750	0	48,750	0
Buildings	97,808	5,508	0	103,316
Improvements	27,960	15,180	0	43,140
Equipment-Office	124,994	40,262	10,467	154,789
Equipment-Machinery/Tools	280,131	65,309	25,356	320,084
Furniture and Fixtures	19,920	0	630	19,290
Vehicles	<u>1,072,163</u>	<u>40,333</u>	<u>71,193</u>	<u>1,041,303</u>
Total	<u>\$2,514,525</u>	<u>\$166,592</u>	<u>\$156,396</u>	<u>\$2,524,721</u>

Note 11 - Risk Management

The City is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 1998, the City contracted with Ohio Municipal League Joint Self-Insurance Pool for property insurance and boiler and machinery coverage. The policies include a \$1,000 deductible.

Professional liability is protected by Ohio Municipal League Joint Self-Insurance Pool with a \$1,000,000 single occurrence limit and a \$5,000 deductible. Vehicles are covered by Ohio Municipal League Joint Self-Insurance Pool and have a \$250 deductible for comprehensive and \$500 for collision. Automobile liability has a \$3,000,000 combined single limit of liability. Settled claims have not exceeded this commercial coverage in any of the past five years. There has not been a significant reduction in coverage from the prior year.

The City participates in the Ohio Municipal League Group Rating Plan (OML) for workers' compensation. The intent of the OML is to achieve the benefit of a reduced premium for the participants, foster safer working environments and foster cost-effective claims management skills by virtue of its

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grouping and representation with other participants in the OML. The workers' compensation experience of the participating cities is calculated as one experience and a common premium rate is applied to all cities in the OML. Each participant pays its workers' compensation premium to the State based on the rate for the OML rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the OML. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the OML. Participation in the OML is limited to cities that can meet the OML's selection criteria. The firm of Gates McDonald & Company provides administrative, cost control and actuarial services to the OML.

Note 12 - Defined Benefit Pension Plans

A. Public Employees Retirement System

All City full-time employees, other than full-time uniformed police officers and firemen participate in the Public Employees Retirement System of Ohio (PERS), a cost-sharing multiple employer public employee retirement system administered by the Public Employees Retirement Board. PERS provides basic retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. PERS issues a stand-alone financial report which may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642.

Plan members are required to contribute 8.5% of their annual covered salary to fund pension obligations and the City is required to contribute 13.55%. Contributions are authorized by State statute. The contribution rates are determined actuarially. The City's contributions to PERS for the years ended December 31, 1998, 1997, and 1996 were \$191,172, \$179,873, and \$179,185, respectively. The full amount has been contributed for 1997 and 1996. 74.19% has been contributed for 1998 with the remainder being reported as a liability within the funds from which employees are paid.

B. Police and Firemen's Disability and Pension Fund

The City contributes to the Police and Firemen's Disability and Pension Fund of Ohio (PFDPF), a cost-sharing multiple employer public employee retirement system administered by PFDPF's Board of Trustees. PFDPF provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provision are established by the Ohio State Legislature and by Chapter 742 of the Ohio Revised Code. PFDPF issues a publicly available financial report that includes financial information and required supplementary information. That report may be obtained by writing to the Police and Firemen's Disability and Pension Fund of Ohio, 140 East Town Street, Columbus, Ohio 43215.

Police and firefighters are required to contribute 10% of their annual covered salary to fund pension obligations and the City is required to contribute 19.5% for police and 24% for firefighters. Contributions are authorized by State statute. The City's contributions to PFDPF for police and firefighters were \$70,683 and \$6,705 for the year ended December 31, 1998, \$72,631 and \$6,483 for 1997, and \$72,941 and \$6,464 for 1996. The full amount has been contributed for 1997 and 1996. 79.5% has been contributed for 1998 with the remainder being reported as a liability within the funds from which employees are paid.

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C. Social Security System

Effective August 3, 1992, all volunteer firefighters, not otherwise covered by another retirement system, are covered by social security. The City's liability is 6.2% of wages paid.

Note 13 - Postemployment Benefits

A. Public Employees Retirement System

The Public Employees Retirement System of Ohio (PERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirees. Health care coverage for disability recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to PERS is set aside for the funding of postretirement health care based on authority granted by State statute. The 1998 employer contribution rate was 13.55% of covered payroll; 4.2% was the portion that was used to fund health care. For 1997, the portion used to fund health care was 5.11%.

Benefits are funded on a pay-as-you-go basis. OPEB are financed through employer contributions and investment earnings. The contributions allocated to retiree health care and Medicare, along with investment income on allocated assets and periodic adjustments in health care provisions are expected to be sufficient to sustain the program indefinitely. During 1998, OPEB expenditures made by PERS were \$440,596,663. As of December 31, 1998, the unaudited estimated net assets available for future OPEB payments were \$9,447,325,318. At December 31, 1998, the total number of benefit recipients eligible for OPEB through PERS was 115,579. The City's actual contributions for 1998 which were used to fund OPEB were \$59,256.

During 1997, PERS adopted a new calculation method for determining employer contributions applied to OPEB. Under the new method, effective January 1, 1998, employer contributions, equal to 4.2% of member covered payroll, are used to fund health care expenses. Under the prior method, accrued liabilities and normal cost rates were determined for retiree health coverage.

B. Police and Firemen's Disability and Pension Fund

The Police and Firemen's Disability and Pension Fund (PFDPF) provides postretirement health care coverage to any person who receives or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school or under the age of 22 if attending school full-time or on a 2/3 basis.

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12. The Ohio Revised Code provides the authority allowing the Police and Firemen's Disability and Pension Fund's board of trustees to provide health care coverage and states that health care cost paid from the Police and Firemen's Disability and Pension Fund shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution is 19.5% of covered payroll and the total firefighter employer contribution rate is 24% of covered payroll, of with 6.5% of covered payroll is applied to the

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postemployment health care program. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment.

The City's actual contributions for 1998 that were used to fund postemployment health care benefits were \$23,561 for police and \$1,816 for fire. PFDPF's total health care expenses for the year ended December 31, 1997, (the latest information available) were \$76,459,832. The number of PFDPF participants eligible to receive health care benefits as of December 31, 1997, was 11,239 for police and 9,025 for firefighters.

Note 14 - Other Employee Benefits

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Employees earn two to six weeks of vacation per year, depending upon length of service. All accumulated unused vacation time is paid upon termination of employment. Employees earn sick leave at the rate of 1.25 days per month of service. Sick leave accumulation limit for the FOP union employees is 2,000 hours. There is not a sick leave accumulation limit for AFSCME and non-union employees.

FOP union employees who retire after ten years service can be paid one-fourth of accumulated, unused sick leave. In the event of death of an employee, one half of accumulated, unused sick leave will be paid to the estate. If death occurs in the line of duty, 100% will be paid to the estate.

AFSCME and non-union employees who separate after ten years service can be paid 35% of accumulated, unused sick leave. In the event of death of an employee, 100% will be paid to the designated beneficiary. Employees separating with less than ten years, but at least five years service, will be paid 20%.

As of December 31, 1998, the total liability for unpaid compensated absences was \$213,407.

B. Life Insurance

The City provides life insurance and accidental death and dismemberment insurance to its employees through Group Life Insurance.

Note 15 – Capital Leases

In prior years, the City entered into capitalized leases for a backhoe. This lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments are reflected as debt service expenditures in the general purpose financial statements for proprietary funds. Equipment acquired by lease has been capitalized in the proprietary account group in the amount of \$51,359, which is equal to the present value of the future minimum lease payments at the time of acquisition. Principal payments in 1998 totaled \$7,602.

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Future minimum lease payments through 2000 are as follows:

<u>Year</u>	<u>Amount</u>
1999	\$9,029
2000	<u>9,029</u>
Total	18,058
Less Amount Representing Interest	<u>1,480</u>
Present Value of Net Minimum Lease Payments	<u>\$16,578</u>

Note 16 - Long-Term Debt

Changes in the City's general long-term obligations during 1998 consist of the following:

	<u>Outstanding 12/31/97</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding 12/31/98</u>
<i><u>General Long-Term Obligations:</u></i>				
Fire Equipment 1990 6% General Obligation Bonds	\$36,000	\$0	\$36,000	\$0
Streetscape Improvements 1991, 6.5% General Obligation Bonds	<u>115,000</u>	<u>0</u>	<u>35,000</u>	<u>80,000</u>
Subtotal General Obligation Bonds	151,000	0	71,000	80,000
Compensated Absences	<u>92,587</u>	<u>29,225</u>	<u>18,745</u>	<u>103,067</u>
Total General Long-Term Obligations	<u>\$243,587</u>	<u>29,225</u>	<u>89,745</u>	<u>183,067</u>
<i><u>Enterprise Fund Obligations:</u></i>				
Water 1981, 10.71% OWDA Loan	\$2,603,653	\$0	\$186,085	\$2,417,568
Sewer 1997, 0% OPWC Promissory Note	115,737	0	9,259	106,478
Sewer, 1992 1992, 3.00-5.625% Mortgage Revenue Bonds	<u>1,390,000</u>	<u>0</u>	<u>105,000</u>	<u>1,285,000</u>
Total Enterprise Long-Term Obligations	<u>\$4,109,390</u>	<u>\$0</u>	<u>\$300,344</u>	<u>\$3,809,046</u>

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The City's overall legal debt margin was \$991,710 at December 31, 1998. Annual debt service requirements to maturity for general obligation debt, including interest of \$7,860 are as follows:

	General Obligation <u>Bonds</u>
1999	\$45,240
2000	<u>42,620</u>
Totals	<u>\$87,860</u>

The Enterprise fund debt service requirements to maturity, including \$1,743,108 of interest, are as follows:

	OPWC <u>Loan</u>	OWDA <u>Loan</u>	Mortgage Revenue <u>Bonds</u>	<u>Totals</u>
1999	\$9,259	\$464,936	\$182,782	\$656,977
2000	9,259	464,936	182,493	656,688
2001	9,259	464,936	146,792	620,987
2002	9,259	464,936	152,293	626,488
2003	9,259	464,936	152,192	626,387
2004-2008	46,295	1,394,808	756,480	2,197,583
2009-2010	<u>13,888</u>	<u>0</u>	<u>153,156</u>	<u>167,044</u>
Totals	<u>\$106,478</u>	<u>\$3,719,488</u>	<u>\$1,726,188</u>	<u>\$5,552,154</u>

The Streetscape Improvements general obligation bonds were used to pay for the Streetscape Project. The debt will be retired from special assessments levied.

The City will pay compensated absences out of the fund from which employees salaries are paid.

The City received an OWDA loan to construct the Water Treatment Plant. The debt will be paid from revenues derived by the City from the operation of the Water enterprise fund.

The City received an Ohio Public Works Commission loan to construct the Spruce Street lift station. The debt will be paid from revenues derived by the City from the operation of the Water Pollution Control enterprise fund.

The Sewer mortgage revenue bonds were used to upgrade the Wastewater Treatment Plant. The debt will be paid from revenues derived by the City from the operation of the Water Pollution Control enterprise fund.

In July 1993, the City issued \$1,880,000 in Sewer Refunding Loan debt with an average interest rate of 4.32% to advance refund \$1,850,000 of outstanding 1989 sanitary sewer system debt with an average interest rate of 7.38%. The proceeds of \$1,880,000 (after payment of underwriting fees, legal fees, and bank fees) were deposited in an irrevocable trust with Star Bank to provide for all future debt service

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payments. As a result, the 1989 debt is considered to be defeased and the liability has been removed from the balance sheet. As of December 31, 1998, \$1,137,061 in investments remained with the escrow agent to retire outstanding debt in the amount of \$1,350,000.

Note 17 - Notes Payable

A summary of the note transactions for the year ended December 31, 1998, follows:

		<u>Outstanding</u> <u>12/31/97</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding</u> <u>12/31/98</u>
<u>General Fund:</u>					
Vehicle BAN	4.95%	\$315,000	\$0	\$315,000	\$0
Vehicle BAN	4.625%	0	305,000	0	305,000
Fire Truck BAN	4.5625%	<u>0</u>	<u>582,000</u>	<u>0</u>	<u>582,000</u>
Total General Fund:		315,000	887,000	315,000	887,000
<u>Special Revenue Funds:</u>					
M&R Street Equipment BAN	5.25%	10,000	0	10,000	0
M&R Street Equipment BAN	5.50%	<u>0</u>	<u>5,000</u>	<u>0</u>	<u>5,000</u>
Total Special Revenue Funds:		<u>10,000</u>	<u>5,000</u>	<u>10,000</u>	<u>5,000</u>
Total		<u>\$325,000</u>	<u>\$892,000</u>	<u>\$325,000</u>	<u>\$892,000</u>

The note liability has been reflected in the funds which received the proceeds and which repaid the debt.

Note 18 - Segment Information for Enterprise Funds

The government maintains four enterprise funds that are intended to be self-supported through user fees charged for services provided to consumers for water, sewer, sanitation services and swimming pool facilities.

	<u>Water</u>	<u>WPC</u>	<u>Sanitation</u>	<u>Swimming Pool</u>
Operating Revenues	\$1,317,115	\$981,224	\$150,648	\$50,249
Operating Expenses Before Depreciation	973,400	761,167	153,148	86,533
Depreciation Expense	18,126	419,311	149	824
Operating Income (Loss)	325,589	(199,254)	(2,649)	(37,108)
Net Income (Loss)	367,775	(142,021)	(807)	(13,886)
Additions (Deletions) To Fixed Assets	3,446	13,571	0	(1,944)
Net Working Capital	608,814	915,665	47,528	2,639
Total Assets	1,053,766	3,115,009	60,089	112,972
Long-Term Liabilities:				
Payable from Revenue	2,417,568	1,408,056	0	0
Total Equity	(1,580,896)	1,634,720	48,237	111,887
Encumbrances Outstanding at 12/31/98	\$66,936	\$70,941	\$14,777	\$150

**CITY OF GALLIPOLIS
GALLIA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1998**

Note 19 - Interfund Transactions

At December 31, 1998, interfund balances consisted of the following:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General	\$8,768	\$ 0
CLG Historic Preservation Grant	<u>0</u>	<u>8,768</u>
Totals	<u>\$8,768</u>	<u>\$8,768</u>

Note 20 – Prior Period Restatements

For the year ended December 31, 1998, certain adjustments have resulted in fund balance/retained earnings restatements. The following provides details of these adjustments and the resultant effect on fund balance/retained earnings:

	<u>Balance Previously Reported at December 31, 1997</u>	<u>Restatement Amount</u>	<u>Balance Restated as of January 1, 1998</u>
<u>Operating Statements</u>			
Special Revenue	\$420,011	\$3,736	\$423,747
Expendable Trust	\$11,102	\$(3,736)	\$7,366
Enterprise	\$(21,792)	\$(5,923)	\$(27,715)
<u>Budget Basis Statements</u>			
Special Revenue	\$324,999	\$4,652	\$329,561
Capital Projects	\$260,793	\$(220,231)	\$40,562
Expendable Trust	\$11,778	\$(4,562)	\$7,216

The Special Revenue and Expendable Trust Fund balances were restated due to reclassifying the Law Enforcement Block Grant Fund from Expendable Trust to Special Revenue beginning January 1, 1998. The Enterprise Fund and Capital Project balances were restated due to adjustments made in the current year for the previous year.

Note 21 - Insurance Purchasing Pool

The City participates in the Ohio Municipal League Workers' Compensation Group Rating Plan, a group rating plan and insurance purchasing pool. The Ohio Municipal League, as the sponsoring organization, has retained the services of Gates, McDonald & Company of Hillard, Ohio, as its Group Administrator to perform claims administration, actuarial cost control, and consulting services for participants. Each year, the City pays an enrollment fee to the GRP to cover the costs of administering the program.

**CITY OF GALLIPOLIS
GALLIA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1998**

Note 22 - Contingencies

A. Grants

The City received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the City at December 31, 1998.

B. Litigation

Two claims and lawsuits are pending against the City. The amount of the liability, if any, cannot be reasonably estimated at this time. However, in the opinion of management, any such claims and lawsuits will not have a material effect, if any on the overall financial condition of the City at December 31, 1998.



STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

743 East State Street
Athens Mall, Suite B
Athens, Ohio 45701
Telephone 740-594-3300
800-441-1389
Facsimile 740-594-2110

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

City of Gallipolis
Gallia County
518 Second Avenue
Gallipolis, Ohio 45631

To the City Commission:

We have audited the accompanying general purpose financial statements of the City of Gallipolis, Gallia County, Ohio (the City), as of and for the year ended December 31, 1998, and have issued our report thereon dated October 24, 2000, in which we indicated that the City changed its method of accounting for investments and deferred compensation. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the City in a separate letter dated October 24, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the City in a separate letter dated October 24, 2000.

City of Gallipolis
Gallia County
Report of Independent Accountants on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

This report is intended for the information and use of management and the City Commission, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

October 24, 2000



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

CITY OF GALLIAPOLIS

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
DECEMBER 28, 2000**