



**Auditor of State  
Betty Montgomery**



VILLAGE OF THE CITY OF GALLIPOLIS  
GALLIA COUNTY

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

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

To the Commission:

We have audited the accompanying financial statements of the Village of the City of Gallipolis, Gallia County (the Village), as of and for the year ended December 31, 2002. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of the City of Gallipolis, Gallia County, as of December 31, 2002, and its combined cash receipts and disbursements for the year then ended on the basis of accounting described in Note 1.

As discussed in Note 12, during the year ended December 31, 2002, the Village reclassified its Eastern Avenue Flood Mitigation Route Fund from the special revenue fund type to the capital projects fund type.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2003 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

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Village of the City of Gallipolis  
Gallia County  
Independent Accountants' Report  
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This report is intended solely for the information and use of the audit committee, management, the Commission and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive style with a large initial "B" and a long, sweeping underline.

**Betty Montgomery**  
Auditor of State

October 22, 2003

VILLAGE OF THE CITY OF GALLIPOLIS  
GALLIA COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
<b>Cash Receipts:</b>						
Property Tax and Other Local Taxes	\$1,642,914	\$208,206	\$	\$	\$	\$1,851,120
Intergovernmental Receipts	332,941	274,464		603,307		1,210,712
Charges for Services	279,867	50,059				329,926
Fines, Licenses, and Permits	361,285	162,304		46,204		569,793
Earnings on Investments	18,299	28,947		7,825	271	55,342
Miscellaneous	64,010	12,787				76,797
<b>Total Cash Receipts</b>	<u>2,699,316</u>	<u>736,767</u>	<u>0</u>	<u>657,336</u>	<u>271</u>	<u>4,093,690</u>
<b>Cash Disbursements:</b>						
Current:						
Security of Persons and Property	837,773	117,252				955,025
Public Health Services	14,184	81,548				95,732
Leisure Time Activities	178,421	4,550				182,971
Community Environment	73,159					73,159
Transportation	60,034	211,996		74,278		346,308
General Government	1,204,521	71,391		940		1,276,852
Debt Service:						
Principal Payments			1,009,307			1,009,307
Interest Payments			52,709			52,709
Capital Outlay	90,649	506,179		1,288,273		1,885,101
<b>Total Cash Disbursements</b>	<u>2,458,741</u>	<u>992,916</u>	<u>1,062,016</u>	<u>1,363,491</u>	<u>0</u>	<u>5,877,164</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>240,575</u>	<u>(256,149)</u>	<u>(1,062,016)</u>	<u>(706,155)</u>	<u>271</u>	<u>(1,783,474)</u>
<b>Other Financing Receipts/(Disbursements):</b>						
Sale of Bonds or Notes		837,000	899,000	547,037		2,283,037
Transfers-In	220,953	151,077	163,016	482,405		1,017,451
Advances-In	196,746			50,830		247,576
Transfers-Out	(274,476)	(632,501)		(139,408)		(1,046,385)
Advances-Out	(50,830)	(6,000)		(190,746)		(247,576)
<b>Total Other Financing Receipts/(Disbursements)</b>	<u>92,393</u>	<u>349,576</u>	<u>1,062,016</u>	<u>750,118</u>	<u>0</u>	<u>2,254,103</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	332,968	93,427	0	43,963	271	470,629
Fund Cash Balances, January 1	185,531	642,757	0	121,280	8,125	957,693
<b>Fund Cash Balances, December 31</b>	<u><b>\$518,499</b></u>	<u><b>\$736,184</b></u>	<u><b>\$0</b></u>	<u><b>\$165,243</b></u>	<u><b>\$8,396</b></u>	<u><b>\$1,428,322</b></u>
Reserves for Encumbrances, December 31	<u>\$64,305</u>	<u>\$16,057</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$80,362</u>

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

VILLAGE OF THE CITY OF GALLIPOLIS  
GALLIA COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	Proprietary Fund Types	Fiduciary Fund Types		Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	Agency	
<b>Operating Cash Receipts:</b>				
Charges for Services	\$2,649,033	\$	\$	\$2,649,033
Miscellaneous	8,331			8,331
Total Operating Cash Receipts	<u>2,657,364</u>	<u>0</u>	<u>0</u>	<u>2,657,364</u>
<b>Operating Cash Disbursements:</b>				
Personal Services	975,167			975,167
Transportation	4,535			4,535
Contractual Services	651,392			651,392
Supplies and Materials	265,466			265,466
Capital Outlay	441,087			441,087
Total Operating Cash Disbursements	<u>2,337,647</u>	<u>0</u>	<u>0</u>	<u>2,337,647</u>
Operating Income/(Loss)	<u>319,717</u>	<u>0</u>	<u>0</u>	<u>319,717</u>
<b>Non-Operating Cash Receipts:</b>				
Interest	54,912			54,912
Other Non-Operating Receipts	3,804		1,312,101	1,315,905
Total Non-Operating Cash Receipts	<u>58,716</u>	<u>0</u>	<u>1,312,101</u>	<u>1,370,817</u>
<b>Non-Operating Cash Disbursements:</b>				
Debt Service:				
Principal Payments	388,808			388,808
Interest Payments	237,679			237,679
Other Non-Operating Cash Disbursements	0		1,307,413	1,307,413
Total Non-Operating Cash Disbursements	<u>626,487</u>	<u>0</u>	<u>1,307,413</u>	<u>1,933,900</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(248,054)	0	4,688	(243,366)
Transfers-In	388,835			388,835
Transfers-Out	(359,836)	(65)		(359,901)
Net Receipts Over/(Under) Disbursements	(219,055)	(65)	4,688	(214,432)
Fund Cash Balances, January 1	<u>1,810,126</u>	<u>22,506</u>	<u>110,845</u>	<u>1,943,477</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$1,591,071</u></b>	<b><u>\$22,441</u></b>	<b><u>\$115,533</u></b>	<b><u>\$1,729,045</u></b>
Reserve for Encumbrances, December 31	<u>\$253,906</u>	<u>\$0</u>	<u>\$0</u>	<u>\$253,906</u>

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



**VILLAGE OF THE CITY OF GALLIPOLIS  
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Village of the City of Gallipolis, Gallia County (the Village), is a charter municipal corporation, incorporated under the laws of the State of Ohio. The Village is directed by a publicly-elected five-member Commission and full-time City Manager. The Village provides water and sewer utilities, park operations, and police service. The Village also provides fire protection services in the form of a volunteer fire department.

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

The Village is associated with the Ohio Municipal League Worker's Compensation Group Rating Plan that is an insurance purchasing pool. This organization is presented in Note 10 to the financial statements.

**B. Basis of Accounting**

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

**C. Cash and Investments**

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

U.S. Treasury Notes are valued at cost. Money market funds are recorded at share values reported by the mutual fund.

**D. Fund Accounting**

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

**1. General Fund**

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Funds**

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Fund:

VILLAGE OF THE CITY OF GALLIPOLIS  
GALLIA COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002  
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

*Fire Levy Fund* - This fund receives fire tax monies to maintain fire protection services for the Village.

3. Debt Service Fund

These funds are used to accumulate resources for the payment of bonds and note indebtedness. The Village had the following significant Debt Service Fund:

*Debt Service Fund* – This fund was established to account for payment on the Village's governmental debt issues.

4. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant Capital Project Funds:

*CDBG Downtown Revitalization Grant Fund* – This fund receives CDBG funds for the Downtown Revitalization Project.

*Fire Station Fund* - This fund receives transfers of funds from the fire fund. These monies are being used to construct a new fire station.

*Eastern Avenue Flood Mitigation Route Fund* - This fund was established to account for funds received from the Federal Government to be expended for construction costs on the Eastern Avenue Flood Mitigation Route Project. During 2002, the Village reclassified this fund from the special revenue fund type to the capital projects fund type, since its disbursements are legally constricted to major capital projects.

5. Enterprise Funds

These funds account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges. The Village had the following significant Enterprise Funds:

*Water Fund* - This fund is used to account for the provision of water services to customers on the Village system.

*Water Pollution Control (WPC) Fund* – This fund is used to account for the provision of sanitation services to customers on the Village system.

VILLAGE OF THE CITY OF GALLIPOLIS  
GALLIA COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002  
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

6. Fiduciary Funds (Trust and Agency Funds)

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. Other trust funds are classified as expendable. Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant Fiduciary Funds:

*Parks Expendable Trust Fund* - This fund is used to account for bequests and donations given to the Village for improvements to park facilities.

*Cemetery Endowment Nonexpendable Trust Fund* - This fund is used to account for bequests to the Village for maintenance of the Village's cemeteries. Interest income earned on the invested balance is transferred to the Cemeteries Fund to be used for perpetual care of the lots.

*Municipal Court Agency Fund* - This fund is used to account for the activities of the Municipal Court.

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund or function level of control, and appropriations may not exceed estimated resources. The City Commission must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2002 budgetary activity appears in Note 3.

VILLAGE OF THE CITY OF GALLIPOLIS  
GALLIA COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002  
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Property, Plant and Equipment

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

G. Accumulated Leave

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Village maintains a cash and investments pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31, 2002 was as follows:

	2002
Demand deposits	<u>\$2,958,491</u>
U.S. Treasury Notes	189,483
Money Market Funds	<u>9,393</u>
Total Investments	<u>198,876</u>
Total Deposits and Investments	<u>\$3,157,367</u>

**Deposits:** Deposits are either insured by the Federal Deposit Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

**Investments:** U.S. Treasury Notes are held in book-entry form by the Federal Reserve, in the name of the Village's financial institution. The financial institution maintains records identifying the Village as owner of these securities. Investments in mutual funds are not evidenced by securities that exist in physical or book-entry form.

**VILLAGE OF THE CITY OF GALLIPOLIS  
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002  
(Continued)**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the year ending December 31, 2002 follows:

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$3,129,124	\$3,117,015	(\$12,109)
Special Revenue	1,738,641	1,724,844	(13,797)
Debt Service	1,062,016	1,062,016	0
Capital Projects	1,744,662	1,737,608	(7,054)
Enterprise	3,168,726	3,104,915	(63,811)
Fiduciary	271	271	0
Total	\$10,843,440	\$10,746,669	(\$96,771)

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,961,302	\$2,848,352	\$112,950
Special Revenue	1,716,963	1,647,474	69,489
Debt Service	1,062,282	1,062,016	266
Capital Projects	1,720,547	1,693,645	26,902
Enterprise	3,927,744	3,577,876	349,868
Fiduciary	465	65	400
Total	\$11,389,303	\$10,829,428	\$559,875

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Commission. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

**VILLAGE OF THE CITY OF GALLIPOLIS  
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002  
(Continued)**

**5. LOCAL INCOME TAX**

The Village levies a municipal income tax of one percent on gross salaries, wages and other personal service compensation earned by residents of the Village and on the earnings of nonresidents working within the Village. Residents of the Village are granted a credit for taxes paid to other municipalities.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually. By the Village ordinance, income tax proceeds are credited to the General Fund. Income tax revenue for 2002 was \$ 1,510,072.

**6. DEBT**

Debt outstanding at December 31, 2002 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan	\$1,451,422	10.71%
Ohio Public Work Commission Loan	69,442	0.00%
Sewer Mortgage Revenue Refunding Bonds	860,000	5%-5.625%
State Infrastructure Bank Loan	547,037	3.00%
Fire Station Bond	597,271	4.99%
Pumper/Tanker Fire Truck Bond Anticipation Note	229,422	4.48%
Municipal Building Bond Anticipation Note	265,000	2.40%
Vehicle Bond	215,000	4.10%
Fire Truck Bond Anticipation Note, 4th Renewal	419,000	4.68%
Total	<u>\$4,653,594</u>	

The Ohio Water Development Authority (OWDA) loan relates to the construction of the Water Treatment Plant. The original loan amount for the project was \$4,000,000 in 1981. The loan will be repaid in semiannual installments of \$232,468, including interest, over 25 years. The loan is collateralized by water receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Public Works Commission (OPWC) loan relates to construction of the Spruce Street lift station. The original loan amount for the project was \$138,884 in 1995. The loan will be repaid in semiannual installments of \$4,629, over 15 years. The loan is collateralized by sewer receipts.

**VILLAGE OF THE CITY OF GALLIPOLIS  
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002  
(Continued)**

**6. DEBT (Continued)**

The Sewer Mortgage Revenue Refunding Bonds were used for the upgrade of the Wastewater Treatment Plant. The original amount of the bonds totaled \$1,880,000 in 1993. The loan has a variable interest rate ranging from 3.00% to 5.625%. The bonds are to be repaid in semiannual installments of interest and annual installments of principal, over 15 years. The Village uses trust bank accounts for the repayment of these bonds. As of December 31, 2002, the balance of these accounts was \$198,992, which is included in the accompanying financial statements in the Water Pollution Control and Water Pollution Control Reserve Funds. The bonds are collateralized by sewer receipts. The Village has covenanted that it will at all times prescribe and charge such rates for the use and services of the Sewer System, and will so restrict operation and maintenance expenses of the Sewer System, as shall result in revenues from the System at least adequate, after meeting such operation and maintenance expenses, to provide for (1) the payments required by the Indenture to be made into the Bond Fund, and other Special Funds, (2) proper improvement and replacement reserves, and (3) in each 12-month period ending December 31, an amount at least equal to 115% of the amount required to be paid into the Bond Fund in a 12-month period.

The Fire Station Bond was issued for the purpose of paying part of the cost of constructing a fire station. The bond is collateralized by the revenues of the Village. The bond matures on February 24, 2031.

The Pumper/Tanker Fire Truck Bond Anticipation Note was issued in anticipation of the issuance of bonds for the purpose of paying part of the cost of acquiring a new fire truck and related equipment. This note is collateralized by the revenues of Village. The note matures on March 15, 2017.

The Vehicle Bond was issued for the purpose of paying part of the cost of acquiring a brush truck, a fire truck, and a street sweeper. The bond is collateralized by revenues of the Village. The bond matures on December 1, 2010.

The Fire Truck Bond Anticipation Note, 4<sup>th</sup> renewal, was issued in anticipation of the issuance of bonds for the purpose of paying part of the cost of acquiring a fire truck and related equipment. The bond anticipation note is collateralized by revenues of the Village. The bond anticipation note matures on September 19, 2013.

The Municipal Building Bond Anticipation Note was issued in anticipation of the issuance of bonds for the purpose of paying part of the cost of acquiring and renovating a building for use as a municipal building. The bond anticipation note is collateralized by revenues of the Village. The bond anticipation note matures on November 14, 2003.

The Village was approved for a State Infrastructure Bank Loan in the amount of \$1,400,000 to be used for the final stages of Phase I of the Eastern Avenue Flood Mitigation Route Project. As of December 31, 2002, the Village had received \$547,037 in loan proceeds. As of March 2003, the total amount owed equaled \$802,835. Repayment of this loan is not expected to begin until 2004.

**VILLAGE OF THE CITY OF GALLIPOLIS  
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002  
(Continued)**

**6. DEBT (Continued)**

Amortization of the above debt, including interest, is scheduled as follows:

Year Ending December 31	OWDA Loan	OPWC Loan	Mortgage Revenue Bonds	State Infrastructure Bank Loan	Bonds	Bond Anticipation Notes
2003	\$464,936	\$9,259	\$152,192	\$0	\$71,563	\$342,375
2004	464,936	9,259	146,680	25,733	71,563	71,015
2005	464,936	9,259	151,115	51,465	71,563	71,015
2006	464,936	9,259	154,905	51,465	71,563	71,015
2007		9,259	153,030	51,465	71,563	71,015
2008-2012		23,147	303,906	257,325	293,686	355,075
2013-2017				257,325	197,490	146,910
2018-2022				257,325	197,490	
2023-2027				231,593	197,490	
2028-2031					138,244	
Total	<u>\$1,859,744</u>	<u>\$69,442</u>	<u>\$1,061,828</u>	<u>\$1,183,696</u>	<u>\$1,382,215</u>	<u>\$1,128,420</u>

**7. CONTRACTUAL COMMITMENTS**

As of December 31, 2002, the Village had contractual commitments as follows:

Company	Project	Amount Remaining on Contract
Crace Constructions	Odor Control Project	\$105,610
DGM, Inc	Eastern Avenue Project	\$62,992

**8. RETIREMENT SYSTEMS**

The Village's law enforcement officers and firefighters belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. OP&F and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2002 OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant and 24% of fire participant wages. PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2002. The Village has paid all contributions required through December 31, 2002.

Effective August 3, 1992, all volunteer firefighters and reserve police officers, not otherwise covered by another retirement system, are covered by Social Security. The Village's liability is 6.5% of wages paid.



**VILLAGE OF THE CITY OF GALLIPOLIS  
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002  
(Continued)**

**9. RISK MANAGEMENT**

The Village belongs to the Public Entities Pool of Ohio ("PEP"), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty insurance for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

PEP retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. Claims exceeding \$250,000 are reinsured with APEEP up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000, from the General Reinsurance Corporation.

If losses exhaust PEP's retained earnings, APEEP covers PEP losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

PEP retains property risks, including automobile physical damage, up to \$10,000 on any specific loss with an annual aggregate of \$700,000 for 2001 and \$1,250,000 for 2002. The Travelers Indemnity Company reinsures losses exceeding \$10,000 if the annual aggregate is reached and all specific losses exceeding \$100,000. APEEP's Operating Fund and Guarantee Fund pay for losses and loss adjustment expenses should they exceed operating contributions.

The aforementioned casualty and property reinsurance agreements do not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31:

<u>Casualty Coverage</u>	<u>2002</u>	<u>2001</u>
Assets	\$20,174,977	\$19,358,458
Liabilities	(8,550,749)	(8,827,588)
Retained earnings	<u>\$11,624,228</u>	<u>\$10,530,870</u>

<u>Property Coverage</u>	<u>2002</u>	<u>2001</u>
Assets	\$2,565,408	1,890,323
Liabilities	(655,318)	(469,100)
Retained earnings	<u>\$1,910,090</u>	<u>\$1,421,223</u>

**VILLAGE OF THE CITY OF GALLIPOLIS  
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002  
(Continued)**

**10. INSURANCE PURCHASING POOL**

The Village 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 Comp Management, as its Group Administrator to perform claims administration, actuarial cost control, and consulting services for participants. Each year the Village pays an enrollment fee to the GRP to cover the costs of administering the program.

**11. CONTINGENT LIABILITIES**

The Village is the defendant in a lawsuit. Although the outcome of this suit is not presently determinable, management believes that the resolution of this matter will not materially adversely affect the Village's financial condition.

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal government. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.

**12. RECLASSIFICATION OF FUND**

During 2002, the Village reclassified its Eastern Avenue Flood Mitigation Route Fund from the special revenue fund type to the capital projects fund type, since its disbursements are legally restricted to major capital projects. This reclassification did not affect January 1, 2002 fund cash balances.

**VILLAGE OF THE CITY OF GALLIPOLIS  
GALLIA COUNTY**

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

<b>FEDERAL GRANTOR/ Pass Through Grantor Program Title</b>	Pass Through Entity Number	Federal CFDA Number	Disbursements
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			
<i>Passed Through Ohio Department of Development:</i>			
Downtown Revitalization Competitive Program	A-T-99-125-1	14.228	\$ 143,299
Total U.S. Department of Housing and Urban Development			<u>143,299</u>
<b>U.S. DEPARTMENT OF JUSTICE</b>			
<i>Passed Through State Attorney Generals Office:</i>			
Victims of Crime Act	2002VAGENE550 2003VAGENE550	16.575	19,171 <u>6,180</u>
Total Victims of Crime Act			25,351
<i>Passed Through Office of Criminal Justice Services:</i>			
Violence Against Women Act	2000-WF-VA2-8427	16.588	6,087
Law Enforcement Block Grant	2001-LE-LEB-3521	16.592	15,321
<i>Direct From Federal Government:</i>			
Community Oriented Policing Services (COPS Fast)	N/A	16.710	15,355
Community Oriented Policing Services (COPS More)	N/A		<u>8,932</u>
Total Community Oriented Policing Services			<u>24,287</u>
Total U.S. Department of Justice			<u>71,046</u>
<b>U.S. DEPARTMENT OF HIGHWAYS</b>			
<i>Passed Through Ohio Department of Transportation:</i>			
Highway Planning and Construction	N/A	20.205	<u>397,307</u>
Total U.S. Department of Highways			<u>397,307</u>
<b>Total Federal Awards Expenditures</b>			<b><u>\$ 611,652</u></b>

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

**VILLAGE OF THE CITY OF GALLIPOLIS  
GALLIA COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
DECEMBER 31, 2002**

**NOTE A -- SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B -- SUBRECIPIENTS**

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

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

**NOTE C -- MATCHING REQUIREMENTS**

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



**Auditor of State  
Betty Montgomery**

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

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

To the Commission:

We have audited the accompanying financial statements of the Village of the City of Gallipolis, Gallia County, Ohio (the Village), as of and for the year ended December 31, 2002, and have issued our report thereon dated October 22, 2003, wherein we noted the Village reclassified its Eastern Avenue Flood Mitigation Route Fund from the special revenue fund type to the capital projects fund type. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Village'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 Village in a separate letter dated October 22, 2003.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Village'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 Village in a separate letter dated October 22, 2003.

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

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

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

**Betty Montgomery**  
Auditor of State

October 22, 2003



## Auditor of State Betty Montgomery

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

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

#### Compliance

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

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

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

#### Internal Control Over Compliance

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

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Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over federal compliance that does not require inclusion in this report, that we have reported to management of the Village in a separate letter dated October 22, 2003.

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



**Betty Montgomery**  
Auditor of State

October 22, 2003



**VILLAGE OF THE CITY OF GALLIPOLIS  
GALLIA COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 §.505  
DECEMBER 31, 2002**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
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<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Highway Planning and Construction, CFDA #20.205
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

VILLAGE OF THE CITY OF GALLIPOLIS  
GALLIA COUNTY

SCHEDULE OF FINDINGS  
*OMB CIRCULAR A -133 §.505*  
DECEMBER 31, 2002  
(Continued)

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

None.

**3. FINDINGS FOR FEDERAL AWARDS**

None.

**VILLAGE OF THE CITY OF GALLIPOLIS  
GALLIA COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain:</i></b>
2001-30727-001	Noncompliance with an established bond covenant	Yes	
2001-30727-002	Estimated revenues exceeded actual revenues in several funds and also resulted in overspending by insignificant amounts in three funds	Yes	





**Auditor of State  
Betty Montgomery**

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**VILLAGE OF THE CITY OF GALLIPOLIS**

**GALLIA COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
NOVEMBER 20, 2003**