

Gallia County Financial Condition

Gallia County

Single Audit

January 1, 2004 Through December 31, 2004

Fiscal Year Audited Under GAGAS: 2004

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**Auditor of State
Betty Montgomery**

Board of County Commissioners
Gallia County
18 Locust Street
Gallipolis, Ohio 45631

We have reviewed the *Independent Auditor's Report* of Gallia County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2004 through December 31, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Gallia County is responsible for compliance with these laws and regulations.

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BETTY MONTGOMERY
Auditor of State

May 16, 2006

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**Gallia County Financial Condition
Basic Financial Statements
For the Year Ended December 31, 2004**

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To Board of County Commissioners
Gallia County
18 Locust Street
Gallipolis, Ohio 45631

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Gallia County, Ohio (the County), as of and for the year ended December 31, 2004, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

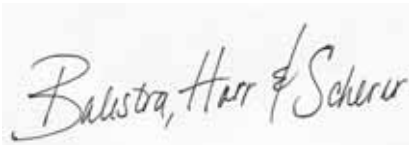
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County, as of December 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General fund, Motor Vehicle Gas Tax fund, Job and Family Services fund, Board of Mental Retardation fund, and Community Development Block Grant fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2006, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 11 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying schedule of federal awards expenditures is presented for purposes of additional analysis as required by the 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

As described in Note 3 to the basic financial statements, the County implemented Governmental Accounting Standards Board (GASB) Statement No. 39, *Determining Whether Certain Organizations are Component Units*, GASB Statement No. 40, *Deposit and Investment Risk Disclosures, an amendment of GASB Statement No. 3*, GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation*, and GASB Technical Bulletin No. 2004-2, *Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employers*.

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in dark ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.

March 31, 2006

Gallia County
Management's Discussion and Analysis
For the Year Ended December 31, 2004
Unaudited

The discussion and analysis of Gallia County's financial performance provides an overall review of the County's financial activities for the fiscal year ended December 31, 2004. The intent of this discussion and analysis is to look at the County's financial performance as a whole. Readers should also review the financial statements and notes to those respective statements to enhance their understanding of the County's financial performance.

Financial Highlights

Key financial highlights for 2004 are as follows:

- The assets of the County exceeded its liabilities at December 31, 2004, by \$19,707,203. Of this amount, \$2,156,514 may be used to meet the County's ongoing obligations to citizens and creditors.
- The net assets of governmental activities decreased \$803,229, which represents a 4.6 percent decrease from 2003. The net assets of business-type activities decreased \$100,285, which represents a 3.1 percent decrease.
- For 2004, all revenues of the County totaled \$24,622,317. General revenues accounted for \$8,460,975 in revenue or 34.4 percent of all revenues. Program revenues in the form of charges for services and grants and contributions accounted for \$16,161,342 or 65.6 percent of all revenues.
- The County had \$25,142,442 in expenses related to governmental activities: \$15,894,422 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$8,444,791 of which \$6,331,655 was taxes with the remaining \$2,113,136 composed of interest, grants, entitlements and miscellaneous revenues were not adequate to provide for these programs.
- As of December 31, 2004, the County's governmental funds reported combined fund balances of \$5,733,424, a decrease of \$205,491 or 3.5 percent in comparison with the prior year.
- The general fund's fund balance increased by \$524,164 or 44.6 percent.
- During the year the County issued \$130,000 in general obligation bonds to provide funding for a new emergency medical service vehicle.

Overview of the Financial Statements

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

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

Government-Wide Financial Statements

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

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

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

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

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

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

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

Fund Financial Statements

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

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

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

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

Proprietary Funds - Proprietary fund reporting focuses on changes in net assets, financial position and cash flows. The County maintains only one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The County's only major enterprise fund is the Bidwell/Porter sewer fund. The basic proprietary fund financial statements can be found on pages 28-30 of this report.

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

Notes to the Basic Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 32-64 of this report.

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Management's Discussion and Analysis
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Government-Wide Financial Analysis

You may recall that the statement of net assets provides the perspective of the County as a whole. Table 1 provides a summary of the County's net assets for 2004 compared to 2003:

Table 1
Change in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
Assets:						
Current and other assets	\$ 14,086,493	\$ 13,944,410	\$ 490,403	\$ 469,127	\$ 14,576,896	\$ 14,413,537
Capital assets	8,597,361	9,322,166	4,833,318	4,988,200	13,430,679	14,310,366
Total assets	<u>22,683,854</u>	<u>23,266,576</u>	<u>5,323,721</u>	<u>5,457,327</u>	<u>28,007,575</u>	<u>28,723,903</u>
Liabilities:						
Other liabilities	3,717,842	3,707,959	85,784	77,016	3,803,626	3,784,975
Long-term liabilities:						
Due within one year	1,154,195	829,535	33,200	35,242	1,187,395	864,777
Due in more than one year	1,270,919	1,384,955	2,038,432	2,078,479	3,309,351	3,463,434
Total liabilities	<u>6,142,956</u>	<u>5,922,449</u>	<u>2,157,416</u>	<u>2,190,737</u>	<u>8,300,372</u>	<u>8,113,186</u>
Net Assets:						
Invested in capital assets, net of related debt	7,773,920	8,531,774	2,764,668	2,887,250	10,538,588	11,419,024
Restricted	7,012,101	7,737,154	-	-	7,012,101	7,737,154
Unrestricted	1,754,877	1,075,199	401,637	379,340	2,156,514	1,454,539
Total net assets	<u>\$ 16,540,898</u>	<u>\$ 17,344,127</u>	<u>\$ 3,166,305</u>	<u>\$ 3,266,590</u>	<u>\$ 19,707,203</u>	<u>\$ 20,610,717</u>

Total assets decreased in 2004 by \$716,328. The largest reason for the decrease is capital asset depreciation and disposals.

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the County, assets exceeded liabilities by \$19,707,203: \$16,540,898 in governmental activities and \$3,166,305 in business-type activities at the end of the 2004 year.

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

The County's largest portion of net assets relates to invested in capital assets, net of related debt. This accounts for 53.5 percent of governmental activities net assets. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

The County's smallest portion of total net assets is unrestricted. This accounts for 10.9 percent of net assets. These net assets represent resources that may be used to meet the County's ongoing obligations to its citizens and creditors.

The remaining balance of \$7,012,101 or 35.6 percent is restricted assets. The restricted net assets are subject to external restrictions on how they may be used.

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

Gallia County
Management's Discussion and Analysis
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Table 2 shows the changes in net assets for fiscal year 2004 as compared to 2003:

	Table 2 Change In Net assets					
	Governmental Activities		Business-Type Activities		Total	
	<u>2004</u>	<u>2003*</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003*</u>
Revenues						
Program revenues:						
Charges for services	\$ 3,332,161	\$ 1,895,771	\$ 266,920	\$ 245,906	\$ 3,599,081	\$ 2,141,677
Operating grants, contributions and interest	12,337,906	15,931,773	-	-	12,337,906	15,931,773
Capital grants and contributions	224,355	330,227	-	-	224,355	330,227
General revenues:						
Property taxes	2,650,018	2,041,554	-	-	2,650,018	2,041,554
Sales tax	3,681,637	3,776,012	-	-	3,681,637	3,776,012
Grants and entitlements	1,330,923	1,122,653	-	-	1,330,923	1,122,653
Investment earnings	331,183	377,376	16,111	13,713	347,294	391,089
Miscellaneous	451,030	2,199,229	73	5,328	451,103	2,204,557
Total revenues	<u>24,339,213</u>	<u>27,674,595</u>	<u>283,104</u>	<u>264,947</u>	<u>24,622,317</u>	<u>27,939,542</u>
Program expenses						
General government:						
Legislative and executive	2,716,786	2,371,674	-	-	2,716,786	2,371,674
Judicial	1,807,275	1,127,354	-	-	1,807,275	1,127,354
Public safety	3,852,218	3,636,024	-	-	3,852,218	3,636,024
Public works	5,146,678	2,693,996	-	-	5,146,678	2,693,996
Health	2,351,064	3,279,588	-	-	2,351,064	3,279,588
Human services	7,793,536	8,935,988	-	-	7,793,536	8,935,988
Conservation and recreation	172,542	182,899	-	-	172,542	182,899
Economic development and assistance	526,532	613,191	-	-	526,532	613,191
Other	730,469	810,866	-	-	730,469	810,866
Interest and fiscal charges	45,342	52,686	-	-	45,342	52,686
Bidwell/Porter Sewer	-	-	294,042	353,107	294,042	353,107
Sewer	-	-	89,347	98,265	89,347	98,265
KAC Sewer	-	-	-	367	-	367
Total expenses	<u>25,142,442</u>	<u>23,704,266</u>	<u>383,389</u>	<u>451,739</u>	<u>25,525,831</u>	<u>24,156,005</u>
Change in net assets	(803,229)	3,970,329	(100,285)	(186,792)	(903,514)	3,783,537
Net Assets at January 1	<u>17,344,127</u>	<u>13,373,798</u>	<u>3,266,590</u>	<u>3,453,382</u>	<u>20,610,717</u>	<u>16,827,180</u>
Net Assets at December 31	<u>\$ 16,540,898</u>	<u>\$ 17,344,127</u>	<u>\$ 3,166,305</u>	<u>\$ 3,266,590</u>	<u>\$ 19,707,203</u>	<u>\$ 20,610,717</u>

*As restated - See Note 3

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As noted earlier in this discussion, governmental activities net assets decreased \$803,229. Overall revenues decreased by \$3,317,225 and expenses increased by \$1,369,826. The operating grants, contributions and interest revenue had the most significant decrease of \$3,593,867 that is attributed to a reduction in intergovernmental revenue from state and federal sources. Public works expenses had the most significant increase of \$2,452,682. The reason for the public works increase was in the prior year \$2,700,152 of expenses resulted in the addition of infrastructure, for the current year there was a very small amount of public works expenses for capital assets.

The large variance between charges for services revenue (increase of \$1,457,404) and miscellaneous revenue (decrease of \$1,753,454) resulted from a more accurate classification of revenues in the current year. Additionally, the large variances in human services and health expense were a result of eliminating interfund services.

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

Table 3
 Governmental Activities

	2004		2003	
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Program expenses				
General government:				
Legislative and executive	\$ 2,716,786	\$ 1,347,120	\$ 2,371,674	\$ 1,373,432
Judicial	1,807,275	1,338,081	1,127,354	736,825
Public safety	3,852,218	2,522,387	3,636,024	2,848,531
Public works	5,146,678	1,290,574	2,693,996	(1,521,092)
Health	2,351,064	1,291,790	3,279,588	1,388,631
Human services	7,793,536	625,884	8,935,988	(246,826)
Conservation and recreation	172,542	172,233	182,899	(3,581)
Economic development and assistance	526,532	(112,540)	613,191	(229,992)
Other	730,469	727,149	810,866	805,578
Interest and fiscal charges	45,342	45,342	52,686	52,686
Total expenses	<u>\$ 25,142,442</u>	<u>\$ 9,248,020</u>	<u>\$ 23,704,266</u>	<u>\$ 5,204,192</u>

Of the \$25,142,442 total governmental activities expenses, \$15,894,422 or 64.3 percent was covered by direct charges to users of the services and intergovernmental grants. The majority of program revenues are grants, with the remaining portion consisting of fees and charges for services. These charges are for fees charged for real estate transfers, for the collection of property taxes throughout the County, for title fees and for court fees. Public safety charges for services include items such as fees for boarding prisoners, patrolling subdivisions, and for special details. Health includes charges for services provided to clients of the mental retardation board.

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

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Management's Discussion and Analysis
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Financial Analysis of the County's Funds

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

As of the end of the current year, the County's governmental funds reported combined ending fund balances of \$5,733,424. Of this total, \$5,398,535 represents unreserved fund balance, which is available for appropriation at the government's discretion within certain legal constraints and purposes restrictions. The remainder of fund balance is reserved to indicate that it is not available for new spending. While a large amount of the governmental fund balances are not reserved in the governmental fund statements, they lead to restricted net assets on the statement of net assets due to their being restricted for use for a particular purpose mandated by the source of the resources such as the state or federal government or the local tax levy.

The general fund is the chief operating fund of the County. At the end of the current fiscal year, the fund balance of the general fund was \$1,700,153, with an increase of \$524,164 or 44.6%. The increase is attributed to an increase in property taxes and intergovernmental grants.

The fund balances of the motor vehicle and gas tax special revenue fund decreased by \$173,610. The job and family services fund and board of mental retardation special revenue fund balances decreased by \$184,962 and increased by \$25,731, respectively.

Proprietary Fund – The County's only major proprietary fund is the Bidwell/Porter sewer enterprise fund, which accounts for the providing of sewer services to the Bidwell/Porter area. To date, program revenues have been adequate to cover the costs of the operation. For 2004, the fund had a decrease in net assets of \$90,742, which represents a 3.1 percent decrease.

Budgetary Highlights - General Fund

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

The County had several revisions to the original appropriations approved by the County Commissioners. Overall these changes resulted in an increase from the original budget of 4.8 percent or \$352,705 in the general fund. This increase was largely due to the fact that the County received additional revenues that were unpredictable at the time the original appropriations were approved by the County Commissioners. The County spent 97.3 percent of the amount appropriated in the general fund during 2004.

The general fund's budgeted revenue increased by \$415,705 or 5.8 percent over the original amount during 2004. This is a result of Gallia County's steady economic conditions. Fluctuations in growth and diversity have typically not occurred in Gallia County, allowing departmental managers the ability to consistently predict revenues. The County does not increase its estimated revenues unless there are insufficient revenues to cover the total appropriations of the general fund.

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Capital Assets and Debt Administration

Capital Assets

The County's investment in capital assets for its governmental and business-type activities as of December 31, 2004 amounts to \$13,430,679, (net of accumulated depreciation). This investment in capital assets includes land and improvements, buildings and improvements, furniture and fixtures, and equipment, vehicles, and infrastructure.

Table 4
 Capital Asses at December 31, 2004
 (Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Land	\$ 488,565	\$ 488,565	\$ -	\$ -	\$ 488,565	\$ 488,565
Land improvements	38,577	47,350	-	-	38,577	47,350
Buildings and improvements	2,509,859	2,729,578	4,814,718	4,965,649	7,324,577	7,695,227
Furniture, fixtures and equipment	1,904,217	2,402,436	18,600	22,551	1,922,817	2,424,987
Vehicles	1,321,849	1,076,038	-	-	1,321,849	1,076,038
Infrastructure	2,334,294	2,578,199	-	-	2,334,294	2,578,199
Total	<u>\$ 8,597,361</u>	<u>\$ 9,322,166</u>	<u>\$ 4,833,318</u>	<u>\$ 4,988,200</u>	<u>\$ 13,430,679</u>	<u>\$ 14,310,366</u>

For more information regarding the County's capital assets, see Note 8 of the notes to the basic financial statements.

Debt

At December 31, 2004, the County had total long-term debt obligations outstanding of \$2,828,392. Of this total, \$140,700 is due within one year and \$2,687,692 is due in more than one year. Table 5 below summarizes the bonds and loans outstanding:

Table 5
 Outstanding Debt, at Fiscal Year End

	Governmental Activities		Business-Type Activities		Total	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
General obligation bonds	\$ 702,500	\$ 680,000	\$ -	\$ -	\$ 702,500	\$ 680,000
Loans payable	57,242	-	201,250	212,750	258,492	258,492
Revenue bonds	-	-	1,867,400	1,888,200	1,867,400	1,867,400
Total	<u>\$ 759,742</u>	<u>\$ 680,000</u>	<u>\$ 2,068,650</u>	<u>\$ 2,100,950</u>	<u>\$ 2,828,392</u>	<u>\$ 2,805,892</u>

The general obligation bonds will be repaid by the bond retirement debt service fund and the loan will be repaid from the motor vehicle and gas tax special revenue fund. The business-type long-term debt will be repaid by the Bidwell/Porter sewer enterprise fund. See Notes 10 and 11 to the basic financial statements for detail on the County's long-term debt obligations.

At December 31, 2004, the County had outstanding capital leases for \$63,699, with \$50,675 due within one year reported in governmental activities.

Gallia County
Management's Discussion and Analysis
For the Year Ended December 31, 2004
Unaudited

At December 31, 2004, the County's overall legal debt margin was \$12,404,601 with an unvoted debt margin of \$5,140,340.

Economic Factors

The County's budget for the general fund in 2005 is conservative. Revenues are projected to come in slightly less than what was actually received in 2004 and appropriations for 2005 are 5 percent larger than the actual expenditures for 2004. The budget in 2005, calls for a reduction in the ending fund balance.

Much of the reason for the conservative budget centers on the slow down in economic growth and uncertainty of the future economic climate. The County continues to have an unemployment rate that is slightly higher than the state and federal rates. However, all of these rates have increased since 1999. A part of the decline is expected to occur in sales tax revenue, since it is the most volatile and subject to decline if the economic slow down was to continue. A decrease in the amount of interest income earned by the County is also projected based on the lowering of the interest rates by the Federal Reserve. The state legislature has reduced the amounts for state based programs including local government, local government revenue assistance and state funded grant programs which may require more local support in order to maintain the current level of service. The County's business-type activities are projected to operate at similar levels as in 2004. The rates charged remain unchanged and expenses for sewer operations are anticipated to remain stable.

Contacting the County's Financial Management

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

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Gallia County, Ohio

Statement of Net Assets

December 31, 2004

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Gallia-Meigs Regional Airport	Gallco Industries, Inc.
Assets:					
Equity in pooled cash and cash equivalents	\$ 4,676,613	\$ 450,546	\$ 5,127,159	\$ 17,850	\$ -
Cash and cash equivalents:					
In segregated accounts	28,166	-	28,166	-	126,834
Materials and supplies inventory	303,752	-	303,752	-	1,029
Receivables:					
Property taxes	2,674,128	-	2,674,128	-	-
Sales taxes	624,425	-	624,425	-	-
Accounts	152,664	39,857	192,521	2,990	2,938
Intergovernmental	5,501,033	-	5,501,033	-	-
Accrued interest	1,050	-	1,050	-	-
Loan	74,246	-	74,246	-	-
Prepaid items	50,416	-	50,416	-	-
Nondepreciable capital assets	488,565	-	488,565	-	-
Depreciable capital assets, net	8,108,796	4,833,318	12,942,114	221,984	21,512
Total assets	<u>22,683,854</u>	<u>5,323,721</u>	<u>28,007,575</u>	<u>242,824</u>	<u>152,313</u>
Liabilities:					
Accounts payable	439,173	1,200	440,373	955	13
Contracts payable	133,686	-	133,686	-	-
Intergovernmental payable	525,934	1,665	527,599	6,425	-
Accrued wages and benefits	246,263	1,172	247,435	-	-
Compensated absences payable	-	11,528	11,528	-	-
Deferred revenue	2,352,994	-	2,352,994	-	-
Accrued interest payable	2,364	70,219	72,583	-	-
Deposits held and due to others	17,428	-	17,428	-	-
Long-term liabilities:					
Due within one year	1,154,195	33,200	1,187,395	-	-
Due in more than one year	1,270,919	2,038,432	3,309,351	-	-
Total liabilities	<u>6,142,956</u>	<u>2,157,416</u>	<u>8,300,372</u>	<u>7,380</u>	<u>13</u>
Net assets:					
Invested in capital assets, net of related debt	7,773,920	2,764,668	10,538,588	221,984	21,512
Restricted for:					
Roads and bridges	2,164,300	-	2,164,300	-	-
Mental retardation and developmental disabilities	131,751	-	131,751	-	-
Human services	2,329,072	-	2,329,072	-	-
Community development projects	839,650	-	839,650	-	-
Other purposes	1,547,328	-	1,547,328	-	-
Unrestricted	1,754,877	401,637	2,156,514	13,460	130,788
Total net assets	<u>\$ 16,540,898</u>	<u>\$ 3,166,305</u>	<u>\$ 19,707,203</u>	<u>\$ 235,444</u>	<u>\$ 152,300</u>

See accompanying notes to the basic financial statements.

Gallia County, Ohio
Statement of Activities
For the Year Ended December 31, 2004

	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions and Interest	Capital Grants and Contributions
Governmental Activities:				
General government:				
Legislative and executive	\$ 2,716,786	\$ 1,322,518	\$ 1,325	\$ 45,823
Judicial	1,807,275	332,278	136,916	-
Public safety	3,852,218	792,978	536,853	-
Public works	5,146,678	269,566	3,408,006	178,532
Health	2,351,064	59,168	1,000,106	-
Human services	7,793,536	550,534	6,617,118	-
Conservation and recreation	172,542	-	309	-
Economic development and assistance	526,532	1,799	637,273	-
Other	730,469	3,320	-	-
Interest and fiscal charges	45,342	-	-	-
Total governmental activities	25,142,442	3,332,161	12,337,906	224,355
Business-Type Activities:				
Bidwell/Porter Sewer	294,042	187,157	-	-
Sewer	89,347	79,763	-	-
Total business-type activities	383,389	266,920	-	-
Total primary government	25,525,831	3,599,081	12,337,906	224,355
Component Unit:				
Gallia-Meigs Regional Airport	127,470	114,327	-	-
Gallco Industries, Inc.	96,487	24,783	70,347	-
Total component units	\$ 223,957	\$ 139,110	\$ 70,347	\$ -

General Revenues:

Property taxes levied for:

General purposes

Board of mental retardation

Sales taxes levied for:

General purposes

Public safety

Grants and entitlements not restricted to specific programs

Investment earnings

Miscellaneous

Total general revenues

Change in net assets

Net assets at beginning of year (as restated)

Net assets at end of year

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and Changes in Net Assets

Primary Government			Component Units	
Governmental Activities	Business-Type Activities	Total	Gallia-Meigs Regional Airport	Gallco Industries, Inc.
\$ (1,347,120)	\$ -	\$ (1,347,120)	\$ -	\$ -
(1,338,081)	-	(1,338,081)	-	-
(2,522,387)	-	(2,522,387)	-	-
(1,290,574)	-	(1,290,574)	-	-
(1,291,790)	-	(1,291,790)	-	-
(625,884)	-	(625,884)	-	-
(172,233)	-	(172,233)	-	-
112,540	-	112,540	-	-
(727,149)	-	(727,149)	-	-
(45,342)	-	(45,342)	-	-
<u>(9,248,020)</u>	<u>-</u>	<u>(9,248,020)</u>	<u>-</u>	<u>-</u>
-	(106,885)	(106,885)	-	-
-	(9,584)	(9,584)	-	-
<u>-</u>	<u>(116,469)</u>	<u>(116,469)</u>	<u>-</u>	<u>-</u>
<u>(9,248,020)</u>	<u>(116,469)</u>	<u>(9,364,489)</u>	<u>-</u>	<u>-</u>
-	-	-	(13,143)	-
-	-	-	-	(1,357)
<u>-</u>	<u>-</u>	<u>-</u>	<u>(13,143)</u>	<u>(1,357)</u>
1,755,426	-	1,755,426	-	-
894,592	-	894,592	-	-
2,945,418	-	2,945,418	-	-
736,219	-	736,219	-	-
1,330,923	-	1,330,923	-	-
331,183	16,111	347,294	-	-
451,030	73	451,103	-	-
<u>8,444,791</u>	<u>16,184</u>	<u>8,460,975</u>	<u>-</u>	<u>-</u>
(803,229)	(100,285)	(903,514)	(13,143)	(1,357)
<u>17,344,127</u>	<u>3,266,590</u>	<u>20,610,717</u>	<u>248,587</u>	<u>153,657</u>
<u>\$ 16,540,898</u>	<u>\$ 3,166,305</u>	<u>\$ 19,707,203</u>	<u>\$ 235,444</u>	<u>\$ 152,300</u>

Gallia County, Ohio

Balance Sheet

Governmental Funds

December 31, 2004

	General	Motor Vehicle and Gas Tax	Job and Family Services	Board of Mental Retardation
Assets:				
Equity in pooled cash and cash equivalents	\$ 1,232,796	\$ 702,115	\$ 331,489	\$ 148,741
Cash and cash equivalents:				
In segregated accounts	-	-	-	6,197
Materials and supplies inventory	-	291,391	12,361	-
Receivables:				
Property taxes	1,748,468	-	-	925,660
Sales taxes	499,545	-	-	-
Accounts	24,867	11,300	-	-
Intergovernmental	357,765	1,738,591	2,273,849	88,210
Interfund	100,310	-	151,871	-
Accrued interest	1,050	-	-	-
Loan	-	-	-	-
Prepaid items	50,416	-	-	-
Total assets	\$ 4,015,217	\$ 2,743,397	\$ 2,769,570	\$ 1,168,808
Liabilities:				
Accounts payable	\$ 111,213	\$ 88,477	\$ 51,189	\$ 18,127
Contracts payable	-	-	-	-
Accrued wages and benefits	74,503	47,515	32,926	24,715
Intergovernmental payable	125,272	36,844	224,362	36,949
Interfund payable	-	-	132,021	-
Deferred revenue	1,986,648	1,194,204	1,841,585	987,783
Deposits held and due to others	17,428	-	-	-
Total liabilities	2,315,064	1,367,040	2,282,083	1,067,574
Fund Balances:				
Reserved for encumbrances	47,432	-	105,483	7,898
Reserved for loans	-	-	-	-
Reserved for unclaimed monies	53,193	-	-	-
Unreserved:				
Undesignated, reported in:				
General fund	1,599,528	-	-	-
Special revenue funds	-	1,376,357	382,004	93,336
Total fund balances	1,700,153	1,376,357	487,487	101,234
Total liabilities and fund balances	\$ 4,015,217	\$ 2,743,397	\$ 2,769,570	\$ 1,168,808

See accompanying notes to the basic financial statements.

Community Development Block Grant	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 2,261,472	\$ 4,676,613
-	21,969	28,166
-	-	303,752
-	-	2,674,128
-	124,880	624,425
-	116,497	152,664
959,692	82,926	5,501,033
-	162,089	414,270
-	-	1,050
-	74,246	74,246
-	-	50,416
<u>\$ 959,692</u>	<u>\$ 2,844,079</u>	<u>\$ 14,500,763</u>

\$ 9,075	\$ 161,092	\$ 439,173
-	133,686	133,686
-	66,604	246,263
13,729	88,778	525,934
97,238	185,011	414,270
734,364	246,001	6,990,585
-	-	17,428
<u>854,406</u>	<u>881,172</u>	<u>8,767,339</u>

-	46,637	207,450
-	74,246	74,246
-	-	53,193
-	-	1,599,528
<u>105,286</u>	<u>1,842,024</u>	<u>3,799,007</u>
<u>105,286</u>	<u>1,962,907</u>	<u>5,733,424</u>
<u>\$ 959,692</u>	<u>\$ 2,844,079</u>	<u>\$ 14,500,763</u>

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Gallia County, Ohio
*Reconciliation of Total Governmental Fund Balances to
 Net Asset of Governmental Activities
 December 31, 2004*

Total governmental fund balances		\$ 5,733,424
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		8,597,361
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Property taxes	\$ 321,134	
Charges for services	165,186	
Intergovernmental	4,151,271	
Total	4,637,591	4,637,591
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(2,364)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
General obligation bonds	\$ (702,500)	
Ohio Water Development Authority (OWDA) loan	(57,242)	
Compensated absences	(1,601,673)	
Capital leases payable	(63,699)	
Total	(2,425,114)	(2,425,114)
Net assets of governmental activities		\$ 16,540,898

See accompanying notes to the basic financial statements.

Gallia County, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2004

	General	Motor Vehicle and Gas Tax	Job and Family Services	Board of Mental Retardation
Revenues:				
Property taxes	\$ 1,724,597	\$ -	\$ -	\$ 900,743
Sales taxes	2,945,418	-	-	-
Charges for services	1,051,405	249,508	548,690	46,242
Licenses and permits	3,017	-	-	-
Fines and forfeitures	15,341	11,505	-	-
Intergovernmental	1,167,040	3,607,883	4,989,220	1,246,870
Interest	331,183	46,317	-	-
Rental income	30,481	-	-	-
Contributions and donations	-	-	-	675
Other	309,362	-	47,623	274
Total revenues	7,577,844	3,915,213	5,585,533	2,194,804
Expenditures:				
Current:				
General government:				
Legislative and executive	1,880,980	-	-	-
Judicial	1,549,428	-	-	-
Public safety	1,611,863	-	-	-
Public works	100,021	4,087,350	-	-
Health	53,212	-	-	2,110,525
Human services	231,121	-	5,975,158	-
Conservation and recreation	-	-	-	-
Community and economic development	-	-	-	-
Other	717,991	-	-	-
Capital outlay	165,971	1,000	27,289	15,897
Debt service:				
Principal retirement	7,720	-	-	38,973
Interest and fiscal charges	4,685	473	-	3,678
Total expenditures	6,322,992	4,088,823	6,002,447	2,169,073
Excess of revenues over (under) expenditures	1,254,852	(173,610)	(416,914)	25,731
Other financing sources (uses):				
General obligation bonds issued	130,000	-	-	-
Proceeds of OWDA loans	-	-	-	-
Transfers in	-	-	231,952	-
Transfers out	(860,688)	-	-	-
Total other financing sources (uses)	(730,688)	-	231,952	-
Net change in fund balances	524,164	(173,610)	(184,962)	25,731
Fund balances at beginning of year (restated)	1,175,989	1,549,967	672,449	75,503
Fund balances at end of year	\$ 1,700,153	\$ 1,376,357	\$ 487,487	\$ 101,234

See accompanying notes to the basic financial statements.

Community Development Block Grant	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 2,625,340
-	736,219	3,681,637
-	1,657,147	3,552,992
-	11,607	14,624
-	3,233	30,079
667,408	1,947,500	13,625,921
-	5,419	382,919
-	-	30,481
-	34,300	34,975
-	86,737	443,996
<u>667,408</u>	<u>4,482,162</u>	<u>24,422,964</u>
-	703,202	2,584,182
-	231,455	1,780,883
-	2,158,033	3,769,896
-	211,450	4,398,821
-	155,462	2,319,199
-	1,828,593	8,034,872
-	139,683	139,683
504,773	-	504,773
-	12,478	730,469
-	143,571	353,728
-	107,500	154,193
-	36,162	44,998
<u>504,773</u>	<u>5,727,589</u>	<u>24,815,697</u>
<u>162,635</u>	<u>(1,245,427)</u>	<u>(392,733)</u>
-	-	130,000
-	57,242	57,242
-	628,736	860,688
-	-	(860,688)
-	685,978	187,242
162,635	(559,449)	(205,491)
<u>(57,349)</u>	<u>2,522,356</u>	<u>5,938,915</u>
<u>\$ 105,286</u>	<u>\$ 1,962,907</u>	<u>\$ 5,733,424</u>

Gallia County, Ohio
*Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balance of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2004*

Net change in fund balances - total governmental funds \$ (205,491)

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

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

Capital asset additions	\$ 353,728	
Depreciation expense	<u>(1,059,184)</u>	
Excess of capital additions over depreciation expense		(705,456)

Governmental funds only report the disposal of capital assets
to the extent proceeds are received from the sale. In the
statement of activities, a gain or loss is reported for each disposal. (19,349)

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

Property taxes	\$ 24,678	
Charges for services	165,186	
Intergovernmental	<u>180,277</u>	
Total		<u>370,141</u>

Repayment of bond, loan principal and capital leases
is an expenditure in the governmental funds, but the repayment
reduces long-term liabilities in the statement of net assets. 154,193

In the statement of activities, interest is accrued on outstanding bonds,
whereas in governmental funds, an interest expenditure is reported when due. (344)

Proceeds of bonds and loans provide current financial resources and are
reported as a financing source in the governmental funds but are
not reported as such in the statement of activities. (187,242)

Some expenses reported in the statement of activities, such as compensated
absences and pension obligation do not require the use of current financial
resources and therefore are not reported as expenditures in governmental funds. (209,681)

Change in net assets of governmental activities \$ (803,229)

See accompanying notes to the basic financial statements.

Gallia County, Ohio
*Statement of Revenues, Expenditures and Changes in Fund Balance -
 Budget (Non-GAAP) and Actual*
General Fund
For the Year ended December 31, 2004

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Property taxes	\$ 1,613,560	\$ 1,660,489	\$ 1,660,489	\$ -
Sales taxes	2,727,522	2,911,953	2,911,953	-
Charges for services	889,440	946,868	946,868	-
Licenses and permits	2,826	3,017	3,017	-
Fines and forfeitures	21,958	23,444	23,444	-
Intergovernmental	1,102,433	1,153,395	1,153,395	-
Interest	309,473	331,101	331,101	-
Rental income	30,481	30,481	30,481	-
Other	374,823	427,436	427,436	-
Total revenues	7,072,516	7,488,184	7,488,184	-
Expenditures:				
Current:				
General government:				
Legislative and executive	2,109,789	2,106,403	1,994,048	112,355
Judicial	1,661,546	1,629,875	1,584,809	45,066
Public safety	1,697,512	1,694,207	1,677,603	16,604
Public works	113,786	114,424	113,123	1,301
Health	49,843	53,701	53,253	448
Human services	275,280	275,279	261,969	13,310
Other	492,425	716,165	697,529	18,636
Capital outlay	-	125,932	125,932	-
Total expenditures	6,400,181	6,715,986	6,508,266	207,720
Excess of revenues over (under) expenditures	672,335	772,198	979,918	207,720
Other financing sources (uses):				
General obligation bonds issued	130,000	130,000	130,000	-
Advances - in	549	586	586	-
Advances - out	-	(100,311)	(100,310)	1
Transfers - in	10,000	10,000	10,000	-
Transfers - out	(934,099)	(870,688)	(870,688)	-
Total other financing sources (uses)	(793,550)	(830,413)	(830,412)	1
Net change in fund balance	(121,215)	(58,215)	149,506	207,721
Fund balance at beginning of year	728,157	728,157	728,157	-
Prior year encumbrances appropriated	130,359	130,359	130,359	-
Fund balance at end of year	\$ 737,301	\$ 800,301	\$ 1,008,022	\$ 207,721

See accompanying notes to the basic financial statements.

Gallia County, Ohio
*Statement of Revenues, Expenditures and Changes in Fund Balance -
 Budget (Non-GAAP) and Actual
 Motor Vehicle and Gas Tax Fund
 For the Year ended December 31, 2004*

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Charges for services	\$ 223,504	\$ 239,233	\$ 239,233	\$ -
Fines and forfeitures	9,816	10,480	10,480	-
Intergovernmental	2,783,297	3,496,724	3,496,724	-
Interest	43,384	46,317	46,317	-
Total revenues	<u>3,060,001</u>	<u>3,792,754</u>	<u>3,792,754</u>	<u>-</u>
Expenditures:				
Current:				
General government:				
Public works	3,323,805	4,482,720	4,210,969	271,751
Capital outlay	1,000	-	-	-
Total expenditures	<u>3,324,805</u>	<u>4,482,720</u>	<u>4,210,969</u>	<u>271,751</u>
Excess of revenues over (under) expenditures	<u>(264,804)</u>	<u>(689,966)</u>	<u>(418,215)</u>	<u>271,751</u>
Fund balance at beginning of year	1,067,742	1,067,742	1,067,742	-
Prior year encumbrances appropriated	52,585	52,585	52,585	-
Fund balance at end of year	<u>\$ 855,523</u>	<u>\$ 430,361</u>	<u>\$ 702,112</u>	<u>\$ 271,751</u>

See accompanying notes to the basic financial statements.

Gallia County, Ohio
*Statement of Revenues, Expenditures and Changes in Fund Balance -
 Budget (Non-GAAP) and Actual
 Job and Family Services Fund
 For the Year ended December 31, 2004*

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental	\$ 5,847,548	\$ 5,163,556	\$ 5,163,556	\$ -
Other	884,019	447,846	447,846	-
Total revenues	<u>6,731,567</u>	<u>5,611,402</u>	<u>5,611,402</u>	<u>-</u>
Expenditures:				
Current:				
Human services	7,084,000	7,109,874	6,240,404	869,470
Excess of revenues over (under) expenditures	<u>(352,433)</u>	<u>(1,498,472)</u>	<u>(629,002)</u>	<u>869,470</u>
Other financing sources (uses):				
Transfers - in	449,530	231,592	231,592	-
Net change in fund balance	97,097	(1,266,880)	(397,410)	869,470
Fund balance at beginning of year	512,809	512,809	512,809	-
Prior year encumbrances appropriated	75,128	75,128	75,128	-
Fund balance at end of year	<u>\$ 685,034</u>	<u>\$ (678,943)</u>	<u>\$ 190,527</u>	<u>\$ 869,470</u>

See accompanying notes to the basic financial statements.

Gallia County, Ohio
*Statement of Revenues, Expenditures and Changes in Fund Balance -
 Budget (Non-GAAP) and Actual*
Board of Mental Retardation Fund
For the Year ended December 31, 2004

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Property taxes	\$ 835,184	\$ 866,803	\$ 866,803	\$ -
Charges for services	54,273	38,577	38,577	-
Intergovernmental	1,699,549	1,278,158	1,278,158	-
Contributions and donations	632	675	675	-
Other	2,097	2,239	2,239	-
Total revenues	<u>2,591,735</u>	<u>2,186,452</u>	<u>2,186,452</u>	<u>-</u>
Expenditures:				
Current:				
Health	<u>2,199,054</u>	<u>2,267,801</u>	<u>2,195,589</u>	<u>72,212</u>
Net change in fund balance	392,681	(81,349)	(9,137)	72,212
Fund balance at beginning of year	93,667	93,667	93,667	-
Prior year encumbrances appropriated	<u>19,367</u>	<u>19,367</u>	<u>19,367</u>	<u>-</u>
Fund balance at end of year	<u><u>\$ 505,715</u></u>	<u><u>\$ 31,685</u></u>	<u><u>\$ 103,897</u></u>	<u><u>\$ 72,212</u></u>

See accompanying notes to the basic financial statements.

Gallia County, Ohio
*Statement of Revenues, Expenditures and Changes in Fund Balance -
 Budget (Non-GAAP) and Actual*
Community Development Block Grant Fund
For the Year ended December 31, 2004

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental	\$ 682,588	\$ 442,080	\$ 442,080	\$ -
Expenditures:				
Current:				
Community and economic development	462,384	1,295,215	543,253	751,962
Excess of revenues over (under) expenditures	220,204	(853,135)	(101,173)	751,962
Other financing sources (uses):				
Advances - in	84,861	97,238	97,238	-
Advances - out	(15)	(15)	(15)	-
Total other financing sources (uses)	84,846	97,223	97,223	-
Net change in fund balance	305,050	(755,912)	(3,950)	751,962
Fund balance at beginning of year	3,950	3,950	3,950	-
Fund balance at end of year	<u>\$ 309,000</u>	<u>\$ (751,962)</u>	<u>\$ -</u>	<u>\$ 751,962</u>

See accompanying notes to the basic financial statements.

Gallia County, Ohio
Statement of Fund Net Assets
Proprietary Funds
December 31, 2004

	Bidwell/Porter Sewer	Other Enterprise Funds	Total
Assets:			
Current assets:			
Equity in pooled cash and cash equivalents	\$ 430,159	\$ 20,387	\$ 450,546
Receivables			
Accounts	31,878	7,979	39,857
Total current assets	<u>462,037</u>	<u>28,366</u>	<u>490,403</u>
Noncurrent assets:			
Depreciable capital assets, net	4,461,958	371,360	4,833,318
Total assets	<u>4,923,995</u>	<u>399,726</u>	<u>5,323,721</u>
Liabilities:			
Current liabilities:			
Accounts payable	-	1,200	1,200
Accrued wages and benefits	502	670	1,172
Intergovernmental payable	713	952	1,665
Accrued interest payable	70,219	-	70,219
Compensated absences	-	11,528	11,528
Revenue bonds payable	21,700	-	21,700
OPWC loans payable	11,500	-	11,500
Total current liabilities	<u>104,634</u>	<u>14,350</u>	<u>118,984</u>
Long-term liabilities:			
Compensated absences	-	2,982	2,982
Revenue bonds payable	1,845,700	-	1,845,700
OPWC loans	189,750	-	189,750
Total long-term liabilities	<u>2,035,450</u>	<u>2,982</u>	<u>2,038,432</u>
Total liabilities	<u>2,140,084</u>	<u>17,332</u>	<u>2,157,416</u>
Net assets:			
Invested in capital assets, net of related debt	2,384,362	380,306	2,764,668
Unrestricted	399,549	2,088	401,637
Total net assets	<u>\$ 2,783,911</u>	<u>\$ 382,394</u>	<u>\$ 3,166,305</u>

See accompanying notes to the basic financial statements.

Gallia County, Ohio
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds
For the Year Ended December 31, 2004

	Bidwell/Porter Sewer	Other Enterprise Funds	Total
Operating revenues:			
Charges for services	\$ 187,157	\$ 79,763	\$ 266,920
Other	32	41	73
Total operating revenues	<u>187,189</u>	<u>79,804</u>	<u>266,993</u>
Operating expenses:			
Personal services	41,861	45,838	87,699
Contract services	13,140	25,972	39,112
Materials and supplies	3,873	2,996	6,869
Depreciation	145,936	8,946	154,882
Other	5,278	5,595	10,873
Total operating expenses	<u>210,088</u>	<u>89,347</u>	<u>299,435</u>
Operating loss	<u>(22,899)</u>	<u>(9,543)</u>	<u>(32,442)</u>
Nonoperating revenues (expenses):			
Interest income	16,111	-	16,111
Interest and fiscal charges	(83,954)	-	(83,954)
Total nonoperating revenues (expenses)	<u>(67,843)</u>	<u>-</u>	<u>(67,843)</u>
Change in net assets	(90,742)	(9,543)	(100,285)
Net assets at beginning of year	<u>2,874,653</u>	<u>391,937</u>	<u>3,266,590</u>
Net assets at end of year	<u>\$ 2,783,911</u>	<u>\$ 382,394</u>	<u>\$ 3,166,305</u>

See accompanying notes to the basic financial statements.

Gallia County, Ohio
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2004

	Bidwell/Porter Sewer	Other Enterprise Funds	Total
Cash flows from operating activities:			
Cash received from customers	\$ 167,536	\$ 85,255	\$ 252,791
Cash received from other operating revenue	32	41	73
Cash payments for personal services	(43,143)	(45,762)	(88,905)
Cash payments for contract services	(13,140)	(25,972)	(39,112)
Cash payments for materials and supplies	(3,873)	(2,996)	(6,869)
Cash payments for other expenses	(12,134)	(10,219)	(22,353)
Net cash provided by operating activities	<u>95,278</u>	<u>347</u>	<u>95,625</u>
Cash flows from capital and related financing activities:			
Principal paid on notes and loans	(32,300)	-	(32,300)
Interest paid on notes and loans	(84,969)	-	(84,969)
Net cash used for capital and related financing activities	<u>(117,269)</u>	<u>-</u>	<u>(117,269)</u>
Cash flows from investing activities:			
Cash received from interest	<u>16,111</u>	<u>-</u>	<u>16,111</u>
Net increase (decrease) in cash and cash equivalents	(5,880)	347	(5,533)
Cash and cash equivalents at beginning of year	<u>436,039</u>	<u>20,040</u>	<u>456,079</u>
Cash and cash equivalents at end of year	<u><u>\$ 430,159</u></u>	<u><u>\$ 20,387</u></u>	<u><u>\$ 450,546</u></u>
Reconciliation of operating loss to net cash provided by operating activities:			
Operating loss	\$ (22,899)	\$ (9,543)	\$ (32,442)
Adjustments to reconcile operating loss to net cash provided by operating activities:			
Depreciation	145,936	8,946	154,882
Changes in assets and liabilities:			
(Increase) decrease in assets:			
Accounts receivable	(26,477)	(332)	(26,809)
Increase (decrease) in liabilities:			
Accounts payable	-	1,200	1,200
Accrued wages and benefits	(284)	(384)	(668)
Intergovernmental payable	(998)	(1,279)	(2,277)
Compensated absences payable	-	1,739	1,739
Net cash provided by (used for) operating activities	<u><u>\$ 95,278</u></u>	<u><u>\$ 347</u></u>	<u><u>\$ 95,625</u></u>

See accompanying notes to the basic financial statements.

Gallia County, Ohio
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
December 31, 2004

	Agency
Assets:	
Equity in pooled cash and cash equivalents	\$ 2,526,544
Cash and cash equivalents:	
In segregated accounts	238,667
Receivables:	
Property taxes	16,174,619
Accounts	2,990
Intergovernmental	1,720,220
Special assessments receivable	5,040
Total assets	\$ 20,668,080
 Liabilities:	
Accounts payable	\$ 4,810
Intergovernmental payable	770,952
Undistributed monies	19,876,488
Deposits held and due to others	15,830
Total liabilities	\$ 20,668,080

See accompanying notes to the basic financial statements.

Gallia County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

NOTE 1 - DESCRIPTION OF GALLIA COUNTY AND REPORTING ENTITY

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

Reporting Entity

For financial reporting purposes, the County complies with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, as amended by GASB Statement No. 39, in defining the financial reporting entity. The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements of the County are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the County. For Gallia County, this includes the Gallia County Board of Mental Retardation and Development Disabilities, Gallia County Children Services Board, Gallia County Job and Family Services and departments and activities that are directly operated by the elected County officials.

Component units are legally separate organizations for which the County is financially accountable. The County is financially accountable for an organization if the County appoints a voting majority of the organization's governing board and (1) the County is able to significantly influence the programs or services performed or provided by the organization; or (2) the County is legally entitled to or can otherwise access the organization's resources; the County is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the County is obligated for the debt of the organization. Component units may also include organizations for which the County approves the budget, the issuance of debt or levying of taxes.

Discretely Presented Components Units

The component unit columns in the basic financial statements identify the financial data of the County's component units, Gallco Industries, Inc. and the Gallia-Meigs Regional Airport. They are reported separately to emphasize that they are legally separate from the County.

Gallco Industries, Inc. - Gallco Industries, Inc. is a legally separate, not-for-profit corporation organized under Chapter 1702 O.R.C. and classified as a 501(C)(3) non-profit corporation. Gallco Industries, Inc., under a contractual agreement with Gallia County Board of Mental Retardation and Developmental Disabilities, provides sheltered employment for mentally retarded or handicapped adults in Gallia County. Based on the significant services and resources provided by the County to Gallco Industries, Inc. and their sole purpose of providing assistance to the retarded and handicapped adults of Gallia County, Gallco Industries, Inc. is reflected as a component unit of Gallia County. Gallco Industries, Inc. operates on a calendar year basis. The operating statement of Gallco Industries, Inc. is presented at the object level. Gallco Industries, Inc. is required only to report operating information at the program level; however, since it operates under a single program, object level information is presented to provide more comprehensive financial information. Complete audited financial statements of the component unit can be obtained from the offices of Gallco Industries, Inc., Post Office Box 14, Chesire, Ohio 45620.

Gallia County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

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

Gallia-Meigs Regional Airport - The Gallia-Meigs Regional Airport operates under a separate board that consists of seven members. Three members are appointed by Meigs County and four members are appointed by Gallia County. The Gallia County Commissioners approve the budget, expenditures, fund deficits and are directly responsible for their debt. All of the land and fixed assets at the airport belong to the County with the exception of a new runway lighting system purchased in 1996. The Airport utilizes the facilities of the County. A manager contracted by the airport authority board operates as a fixed based operator. The Airport generates revenue from sales and rental space. Grants are applied for in the airport authority's name. Meigs County does not contribute financially to the Airport operations. The operating statement of the Airport is presented at the object level. The Airport is required only to report operating information at the program level; however, since it operates under a single program, object level information is presented to provide more comprehensive financial information. Complete audited financial statements of the component unit can be obtained from the Gallia County Commissioners' Office, Gallia County Courthouse, 18 Locust Street, Gallipolis, OH 45631.

The following entities have been excluded from the County's financial statements because the County is not financially accountable for these organizations nor are these entities for which the County approves the budget, the issuance of debt, or the levying of taxes:

- Gallia County Agricultural Society
- Gallia County Historical Society
- Gallia County Cooperative Extension Services
- Gallia County Rural Water Association
- Community Improvement Corporation
- Gallia County Board of Education
- Gallia-Jackson-Vinton Joint Vocational School
- Gallia, Jackson, Vinton ABLE Center
- Gallia, Jackson, Vinton Retired and Senior Volunteer Program
- Gallia County Council on Aging Senior Center
- Gallia County Animal Welfare, Inc.

The County is associated with the following organizations that are defined as jointly governed organizations, related organizations or risk management pool. These organizations are presented in Notes 20, 21 and 22 to the basic financial statements.

- Joint Solid Waste Management District
- Gallia-Jackson-Meigs Counties Alcohol, Drug Addiction and Mental Health Service Board (ADAMH)
- Gallia-Jackson-Meigs Counties Cluster
- Area Office on Aging
- Ohio Valley Regional Development Commission
- Southeastern Ohio Corrections Commission
- Gallia-Meigs Community Action Agency
- Gallia-Jackson Child Abuse and Neglect Advisory Board
- O.O. McIntyre Park District
- Bossard Memorial Library
- Gallia Metropolitan Housing Authority
- County Risk Sharing Authority (CORSA)
- Ohio Valley Resource Conservation and Development Area, Inc.

Gallia County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

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

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

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

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

Gallia County Soil and Water Conservation District is statutorily created as a separate and distinct political subdivision of the State. The five Supervisors of the Soil and Water Conservation District are elected officials authorized to contract and sue on behalf of the District. The Supervisors adopt their own budget, authorize District expenditures, hire and fire staff, and do not rely on the County finance deficits.

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

Gallia County Law Library is operated under a separate board of directors, who currently consist of the common pleas judge, a practicing attorney and the Gallipolis City solicitor, all appointed by the Gallia County Bar Association. Although the County contributes to the operation of the Law Library, the County is not involved in the selection of trustees or management of the Law Library or in the authorization of expenditures.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

Gallia County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

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

Government-Wide Financial Statements - The statement of net assets and the statement of activities display information about the County as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the County that are governmental and those that are considered business-type activities.

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

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

B. Fund Accounting

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

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

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

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

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

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

Gallia County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

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

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

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

Proprietary Funds - Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service. The County maintains only one type of proprietary fund. Enterprise funds are used to report the same functions presented as business type activities in the government-wide financial statements. Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods and services. The following is the County's only major enterprise fund:

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

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

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

C. Measurement Focus

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

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

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

Gallia County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

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

D. Basis of Accounting

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

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

Nonexchange transactions, in which the County receives value without directly giving equal value in return, include sales taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from sales taxes is recognized in the period in which the taxable sale takes place. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 13). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the County must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the County on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: delinquent property taxes, sales taxes, charges for services and fees, fines and forfeitures, state-levied locally shared taxes (including motor vehicle license fees and gasoline taxes), grants, and interest.

Deferred Revenue - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of December 31, 2004, but which were levied to finance fiscal year 2004 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

Gallia County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

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

E. Budgetary Process

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

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

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

F. Cash and Cash Equivalents

To improve cash management, cash received by the County is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the County's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the basic financial statements.

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

Interest revenue is distributed by the County to the general fund, motor vehicle gas tax fund, and the children services trust fund. Interest revenue credited to the general fund during 2004 amounted to \$331,183, which includes \$279,230 assigned from other County funds.

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

G. Inventory

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

Gallia County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

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

On fund financial statements, inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. The cost of inventory items is recorded as expenditure in the governmental funds and as expense in the enterprise fund when used.

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2004, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

I. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The County maintains a capitalization threshold of five hundred dollars. The County's infrastructure consists of roads, bridges, culverts and sanitary sewer lines. During 2003, the County elected to phase in their infrastructure. Therefore, the County has reported current year additions for 2004, however amounts prior to 2003 will be captured in the future. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of enterprise fund capital assets is also capitalized.

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

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Buildings	20-40 years	20-40 years
Improvements other than buildings	20 years	20 years
Machinery and equipment	10-15 years	10-15 years
Furniture and fixtures	5-20 years	5-20 years
Vehicles	8 years	8 years
Infrastructure	10-40 years	n/a

J. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans and amounts due to or from other funds for services provided and used are classified as "interfund receivables/payables." These amounts are eliminated in the governmental and business-type activities columns of the statement of net assets, except for any net residual amounts due between governmental and business-type activities, which are presented as internal receivables and payables. As of December 31, 2004, there were no internal receivables and payables to report on the statement of net assets.

Gallia County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

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

K. Compensated Absences

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

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

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

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

For governmental funds, the current portion of unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

L. Accrued Liabilities and Long-term Obligations

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

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

M. Fund Balance Reserves

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

N. Net Assets

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

Gallia County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

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

O. Operating Revenues and Expenses

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

P. Interfund Transactions

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

Q. Estimates

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

NOTE 3 - CHANGES IN ACCOUNTING BASIS AND RESTATEMENTS

A. Changes in Accounting Principles

For the year 2004, the County implemented GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units," GASB Statement No. 46, "Net Assets Restricted by Enabling Legislation," GASB Statement No. 40, "Deposits and Investment Risk Disclosures," and GASB Technical Bulletin No. 2004-2, "Recognition of Pension and Other Postemployment Benefit Expenditures/Expense and Liabilities by Cost-Sharing Employers." These new standards did not have a material effect on the financial statements, nor did their implementation require a restatement of prior year balances.

B. Restatement of Fund Balance, Net Assets and Agency Funds

Following the close of the previous year a few errors were identified and require a restatement of fund balances and net assets within the governmental funds and activities. Also, the beginning balance of agency funds assets and liabilities required a restatement. Certain agency funds were reported as special revenue funds and a special revenue fund was reported as agency fund. In addition, certain balances of the Gallia-Meigs Regional Airport component unit were omitted from the fiduciary fund balances, where the County serves as their fiscal agent. Also, a special revenue fund collects amounts due on a community development loan which the balance of, was not reported. Finally, one nonmajor special revenue fund and governmental activities overstated intergovernmental receivables and related revenue.

Gallia County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

NOTE 3 - CHANGES IN ACCOUNTING BASIS AND RESTATEMENTS *(Continued)*

Restatements of fund balances are summarized below:

	Board of Mental Retardation	Nonmajor Governmental Funds
Balances at December 31, 2003	\$ 156,037	\$ 2,399,960
Restatement from:		
Loans receivable	-	77,863
Fund classification	-	44,533
Intergovernmental receivables	(80,534)	-
Balances at January 1, 2004	\$ 75,503	\$ 2,522,356

Restatement of governmental activities net assets is summarized below:

	Net Assets
Balances at December 31, 2003	\$ 17,564,034
Restatement from:	
Loans receivable	77,863
Fund classification	44,533
Intergovernmental receivables	(342,303)
Balances at January 1, 2004	\$ 17,344,127

The agency funds total assets and liabilities were restated from \$22,294,495 to \$22,262,047 or by \$(32,448).

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance.
4. Proceeds from and principal payments on short-term note obligations are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
5. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

Gallia County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING (Continued)

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

Net Change in Fund Balances					
	General	Motor Vehicle and Gas Tax	Job and Family Services	Board of Mental Retardation	Community Development Block Grant
GAAP Basis	\$ 524,164	\$ (173,610)	\$ (184,962)	\$ 25,731	\$ 162,635
Net Adjustments for:					
Revenue accruals	(79,660)	(122,459)	25,509	(8,352)	(225,328)
Expenditure accruals	(34,613)	(122,146)	(97,358)	(15,611)	(38,495)
Advances -in / out	(99,724)	-	-	-	97,238
Adjustment for encumbrances	(160,661)	-	(140,599)	(10,905)	-
Budget basis	\$ 149,506	\$ (418,215)	\$ (397,410)	\$ (9,137)	\$ (3,950)

NOTE 5 - CASH, DEPOSITS AND INVESTMENTS

A. Primary Government

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

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

1. United States treasury notes, bills, bonds or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provide that the fair value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to value daily, and that the term of the agreement must not exceed thirty days;
4. Bond and other obligations of the State of Ohio or its political subdivisions provided that such political subdivisions are located wholly or partly within the County;
5. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;

Gallia County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

NOTE 5 - CASH, DEPOSITS AND INVESTMENTS *(Continued)*

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

An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the County, and must be purchased with the expectation that it will be held to maturity.

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

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

Protection of the County'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.

Undeposited Cash

At year-end, the County had \$14,851 in undeposited cash on hand which is included as part of "equity in pooled cash and cash equivalents."

Deposits

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

Gallia County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

NOTE 5 - CASH, DEPOSITS AND INVESTMENTS (Continued)

As of December 31, the carrying amount of the County's deposits was \$ 7,905,685. The County's bank balance of \$8,246,012 was exposed to custodial credit risk as follows:

Uninsured and collateral held by pledging bank's trust department and not in the County's name	\$ 7,732,814
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B. Component Units

Deposits and Investments

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

Gallco Industries, Inc. At year end, the carrying amount of Gallco Industries, Inc. deposits was \$126,834 and the bank balance was \$117,550. There are no statutory guidelines regarding the deposit and investment of funds by the non-profit corporation.

Gallia-Meigs Regional Airport Authority At year end, the amount of the Gallia-Meigs Regional Airport Authority equity in the County's internal investment pool was \$17,850.

NOTE 6 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Due to general fund from:	
Community development block grant	\$ 97,238
Nonmajor governmental funds	3,072
Total due to general fund from other funds	\$ 100,310
Due to nonmajor governmental funds from:	
Job and family services	\$ 132,021
Nonmajor governmental fund	30,068
Total due to nonmajor governmental funds from other funds	\$ 162,089
Due to job and family services from:	
Nonmajor governmental fund	\$ 151,871

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

A summary of interfund transfers for 2004 were as follows:

Transfers from general fund to:	
Job and family services	\$ 231,952
Nonmajor governmental funds	628,736
Total transfers from general fund	\$ 860,688

Gallia County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

NOTE 6 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS *(Continued)*

During 2004, the County made four transfers of \$100,000 each from the general fund to the emergency medical services fund to subsidize the program services and transferred an additional \$40,000 to the same fund towards the purchase of a new ambulance. The general fund also transferred \$231,952, \$55,000, \$22,730 and \$33,185 to job and family services, dog and kennel, child support enforcement, and emergency management funds, respectively. Finally, the general fund transferred \$77,821 to the bond retirement debt service fund for the repayment of bonds.

NOTE 7 - RECEIVABLES

Receivables at December 31, 2004 consisted of property taxes, sales taxes, accounts (billings for user charged services), interest and intergovernmental grants. All receivables are considered fully collectible.

A summary of the principal items of intergovernmental receivable follows:

Governmental Activities	
General fund:	
Local government distributions	\$ 259,196
State property tax reimbursements	76,413
Other grants and reimbursements	22,156
Total general fund	357,765
Major special revenue funds:	
Motor vehicle and gas tax	1,738,591
Job and family services	2,273,849
Board of mental retardation	88,210
Community development block grant	959,692
Total major special revenue funds	5,060,342
Nonmajor special revenue funds:	
Children services	81,156
Sheriff's bulletproof vest grant	1,770
Total nonmajor special revenue funds	82,926
Total intergovernmental receivable	\$ 5,501,033
Fiduciary Funds	
Agency funds	1,720,220
Total intergovernmental receivable	\$ 1,720,220

Gallia County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

NOTE 8 - CAPITAL ASSETS

A summary of changes in general capital assets during 2004 were as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Nondepreciable capital assets:				
Land	\$ 488,565	\$ -	\$ -	\$ 488,565
Depreciable capital assets:				
Land improvements	270,541	-	-	270,541
Buildings and improvements	6,629,033	-	-	6,629,033
Furniture, fixtures and equipment	4,525,573	200,876	(37,833)	4,688,616
Vehicles	1,809,593	152,852	(14,900)	1,947,545
Infrastructure	<u>2,700,152</u>	<u>-</u>	<u>-</u>	<u>2,700,152</u>
Total depreciable capital assets	<u>15,934,892</u>	<u>353,728</u>	<u>(52,733)</u>	<u>16,235,887</u>
Accumulated Depreciation:				
Land improvements	(223,191)	(8,773)	-	(231,964)
Buildings and improvements	(3,961,222)	(157,952)	-	(4,119,174)
Furniture, fixtures and equipment	(2,489,345)	(328,438)	33,384	(2,784,399)
Vehicles	(305,580)	(320,116)	-	(625,696)
Infrastructure	<u>(121,953)</u>	<u>(243,905)</u>	<u>-</u>	<u>(365,858)</u>
Total accumulated depreciation	<u>(7,101,291)</u>	<u>(1,059,184)</u>	<u>33,384</u>	<u>(8,127,091)</u>
Depreciable capital assets, net	<u>8,833,601</u>	<u>(705,456)</u>	<u>(19,349)</u>	<u>8,108,796</u>
Governmental activities capital assets, net	<u>\$ 9,322,166</u>	<u>\$ (705,456)</u>	<u>\$ (19,349)</u>	<u>\$ 8,597,361</u>

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

<u>Governmental Activities</u>	
General government:	
Legislative and executive	\$ 96,185
Judicial	11,354
Public safety	144,376
Public works	630,846
Health	54,877
Human services	66,928
Conservation and recreation	32,859
Economic development and assistance	<u>21,759</u>
Total governmental activities depreciation expense	<u>\$ 1,059,184</u>

Gallia County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

NOTE 8 - CAPITAL ASSETS *(Continued)*

A summary of changes in business-type capital assets during 2004 were as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Depreciable capital assets:				
Land improvements	\$ -	\$ -	\$ -	\$ -
Building and improvements	6,031,138	-	-	6,031,138
Furniture, fixtures and equipment	<u>105,122</u>	<u>-</u>	<u>-</u>	<u>105,122</u>
Total depreciable capital assets:	6,136,260	-	-	6,136,260
Accumulated depreciation:				
Building and improvements	(1,065,489)	(150,931)	-	(1,216,420)
Furniture, fixtures and equipment	<u>(82,571)</u>	<u>(3,951)</u>	<u>-</u>	<u>(86,522)</u>
Total accumulated depreciation	<u>(1,148,060)</u>	<u>(154,882)</u>	<u>-</u>	<u>(1,302,942)</u>
Depreciable capital assets, net	<u>4,988,200</u>	<u>(154,882)</u>	<u>-</u>	<u>4,833,318</u>
Business-type activities capital assets, net	<u>\$ 4,988,200</u>	<u>\$ (154,882)</u>	<u>\$ -</u>	<u>\$ 4,833,318</u>

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

NOTE 9 - NOTES PAYABLE

A summary of the note transactions for the year ended December 31, 2004, follows:

<u>Purpose</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Governmental activities:				
General obligation notes payable:				
Chip shredder				
1999-2004 4.75%	\$ 32,837	\$ -	\$ (32,837)	\$ -

The chip shredder notes payable was paid with motor vehicle gasoline tax fund revenues. A total payment was made in the amount of \$34,391 with the principal amount of \$32,837 and interest totaling \$1,554.

Gallia County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

NOTE 10 - LONG-TERM OBLIGATIONS

The County's governmental long-term obligations activity for the year ended December 31, 2004, was as follows:

Purpose	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
General obligation bonds payable					
Solid waste recycling 1998-2012, 4.95%	\$ 230,000	\$ -	\$ (20,000)	\$ 210,000	\$ 20,000
EMS ambulances 2004-2008, 2.95%	-	130,000	(26,000)	104,000	26,000
County building 2003-2010, 2.90%	385,000	-	(55,000)	330,000	55,000
Parking lot expansion 2003-2010, 3.12%	<u>65,000</u>	<u>-</u>	<u>(6,500)</u>	<u>58,500</u>	<u>6,500</u>
Subtotal general obligation bonds	680,000	130,000	(107,500)	702,500	107,500
OWDA loan, 2001, 5.65%	-	57,242	-	57,242	-
Compensated absences	1,424,099	1,107,894	(930,320)	1,601,673	996,020
Capital leases	<u>110,392</u>	<u>-</u>	<u>(46,693)</u>	<u>63,699</u>	<u>50,675</u>
Total governmental activities long-term obligations	<u>\$ 2,214,491</u>	<u>\$ 1,295,136</u>	<u>\$ (1,084,513)</u>	<u>\$ 2,425,114</u>	<u>\$ 1,154,195</u>

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

The County's general obligation bond issue for \$390,000 was issued as a "wrap around" to the original \$800,000 for the purpose of adding an addition to the Gallia County Service Center. The debt will be retired from the property taxes levied by the County.

The County's general obligation bond issue for \$337,500 was issued for the purpose of constructing a solid waste recycling center. The debt will be retired from recycling center receipts.

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

The OWDA loan is for a new sewer project in the County. The County general fund is responsible for repayment of the loan.

Gallia County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

NOTE 10 - LONG-TERM OBLIGATIONS (Continued)

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

Governmental Activities General Obligation Bonds

<u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 107,500	\$ 31,622	\$ 139,122
2006	112,500	26,941	139,441
2007	112,500	22,013	134,513
2008	112,500	17,088	129,588
2009	86,500	12,158	98,658
2010-2013	<u>171,000</u>	<u>13,685</u>	<u>184,685</u>
Total	<u>\$ 702,500</u>	<u>\$ 123,507</u>	<u>\$ 826,007</u>

The Ohio Water Development Authority (OWDA) loan was not finalized as of December 31, 2004 and therefore a final payment schedule was not available.

The County's business-type long-term obligations activity for the year ended December 31, 2004, was as follows:

<u>Purpose</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-type activities:					
Long-term loans payable:					
OPWC loan payable					
2002-2022 0.00%	\$ 212,750	\$ -	\$ (11,500)	\$ 201,250	\$ 11,500
Revenue bonds:					
Sewer improvement					
2001-2040, 4.50%	205,800	-	(2,300)	203,500	2,400
Sewer improvement					
2001-2040 4.50%	1,682,400	-	(18,500)	1,663,900	19,300
Compensated absences	<u>12,771</u>	<u>12,729</u>	<u>(10,990)</u>	<u>14,510</u>	<u>11,528</u>
Total business-type activities long-term obligations	<u>\$ 2,113,721</u>	<u>\$ 12,729</u>	<u>\$ (43,290)</u>	<u>\$ 2,083,160</u>	<u>\$ 44,728</u>

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

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

Gallia County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

NOTE 10 - LONG-TERM OBLIGATIONS (Continued)

The annual requirements to amortize long-term loan and bond obligations outstanding as of December 31, 2004 are as follows:

<u>Year Ended</u>	<u>Sewer Improvement</u>			<u>OWPC Loan</u>
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>
2005	\$ 21,700	\$ 84,033	\$ 105,733	\$ 11,500
2006	22,600	83,057	105,657	11,500
2007	23,700	82,039	105,739	11,500
2008	24,700	80,973	105,673	11,500
2009	25,800	79,861	105,661	11,500
2010-2014	147,800	380,785	528,585	57,500
2015-2019	184,100	344,403	528,503	57,500
2020-2024	229,500	299,079	528,579	28,750
2025-2029	285,900	242,586	528,486	-
2030-2034	356,400	172,193	528,593	-
2035-2039	444,100	84,470	528,570	-
2040	101,100	4,550	105,650	-
Total	<u>\$ 1,867,400</u>	<u>\$ 1,938,029</u>	<u>\$ 3,805,429</u>	<u>\$ 201,250</u>

On September 19, 2002, the Board of County Commissioners approved a resolution for the guaranty of the Gallia County Community Improvement Corporation's Rural Industrial Park Loan in the amount of \$700,000.

NOTE 11 - CAPITALIZED LEASES - LESSEE DISCLOSURE

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

The following is a schedule of the future minimum lease payments under lease obligations which have been capitalized as of December 31, 2004.

<u>Year Ended</u>	<u>Capital Lease Obligations</u>
2005	\$ 53,387
2006	9,820
2007	3,428
2008	857
Total minimum lease payments	67,492
Less: amount representing interest	(3,793)
Present value of minimum lease payments	<u>\$ 63,699</u>

Gallia County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

NOTE 12 – CONDUIT DEBT OBLIGATIONS

Pursuant to State statute, various industrial revenue bonds have been issued by private industry within Gallia County. The proceeds of the industrial revenue bonds are used by the various private industries for new construction or improvements. The bonds are to be repaid by the recipients of the proceeds and do not represent an obligation of the County. As of December 31, 2004, there was a \$15,150,000 in industrial revenue bond issued of which \$8,190,000 remains outstanding.

NOTE 13 - PROPERTY TAXES

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the County. Taxes collected on real property (other than public utility) in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be revalued every six years. The last revaluation was completed in 1999. Real property taxes are payable annually or semiannually. The first payment is due March 21, with the remainder payable by August 29.

Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of that calendar year, and at the tax rates determined in the preceding year. Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25 percent of its true value. Amounts paid by multi-county taxpayers are due October 15. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by October 20.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Certain public utility tangible personal property currently is assessed at 88 percent of its true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

The County Treasurer collects property tax on behalf of all taxing districts within the County. The County Auditor periodically remits to itself its share of the taxes collected. The County records receipt of these taxes in various funds.

Accrued property taxes receivable represent delinquent taxes, outstanding and real, tangible personal, and public utility taxes that were measurable and unpaid as of December 31, 2004. Although total property tax collections for the next fiscal year are measurable, amounts to be received during the available period are not subject to reasonable estimation at December 31 and are not intended to finance 2004 operations. The receivable is therefore offset by a credit to deferred revenue.

Gallia County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

NOTE 13 - PROPERTY TAXES *(Continued)*

The full tax rate for all County operations for the year ended December 31, 2004, was \$6.00 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2004 property tax receipts were based are as follows:

Category	Assessed Value
Real estate:	
Agriculture	\$ 62,852,340
Residential	187,466,460
Commercial	102,528,330
Industrial	3,783,780
Minerals	447,960
Total real estate	357,078,870
Personal property:	
General	84,047,460
Public utilities	143,157,690
Total personal property	227,205,150
Total assessed values	\$ 584,284,020

NOTE 14 - PERMISSIVE SALES TAX

In 1967, in accordance with Section 5739.02 of the Ohio Revised Code, counties were authorized to levy an excise tax of one half to one percent. The tax must be levied pursuant to a resolution of the County Commissioners and a copy of the resolution sent to the Tax Commissioner not later than 60 days prior to the effective date of the tax.

The Tax Commissioner shall, within forty-five days after the end of each month, certify to the Director of Budget and Management the amount of the proceeds of such tax or taxes paid to the Treasurer of State during that month to be returned to the County. The director then provides for payment to the County Treasurer on or before the twentieth day of the month in which the certification is made.

On November 17, 1981, the County Commissioners adopted by resolution a one half percent permissive sales tax as allowed by Sections 5739.026 and 5741.023, Revised Code. On December 29, 1994, the County Commissioners, by recommendation of the State of Ohio Tax Commissioner, repealed one quarter of one percent of the one half of one percent permissive sales tax under Revised Code Sections 5739.026 and 5741.023 and replaced it with a one quarter of one percent under Revised Code Section 5739.021. On March 5, 1987, the County Commissioners adopted by resolution a proposal for an additional one half percent permissive sales tax as allowed by Sections 5705.026 and 5705.023, Revised Code, which was voted upon at a special election held on May 5, 1987, at which time the proposal passed. On August 18, 1994, the County Commissioners adopted by resolution a proposal for an addition on quarter of one percent sales and use tax, for the implementation of 9-1-1 for Gallia County, as allowed by Sections 5739.026 and 5741.023 of the Revised Code, which was voted upon on November 8, 1994, at which time the proposal passed. In 2004, the general fund received \$2,945,418 and the 9-1-1 special revenue fund received \$736,219 in sales and use tax revenue. Sales and use tax revenue is recognized when it is measurable and available.

Gallia County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

NOTE 15 - ACCOUNTABILITY AND COMPLIANCE

A. Accountability

The following funds had deficit fund balances as of December 31, 2004:

Nonmajor special revenue funds:	
Dog and kennel	\$ 3,488
FAA airport grant	121,358
Prosecutor victim assistance	<u>576</u>
Total deficit fund balances	<u>\$ 125,422</u>

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

B. Compliance

The following fund had appropriations in excess of estimated resources plus available balances for the fiscal year ended December 31, 2004:

<u>Fund Type/Fund</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Excess</u>
Major special revenue funds:			
Community development block grant	\$ 543,268	\$ 1,295,230	\$ (751,962)
Job and family services	6,430,931	7,109,874	(678,943)
Nonmajor special revenue funds:			
Dog and kennel	71,513	71,595	(82)
FAA airport grant	130,285	259,644	(129,359)
State domestic prep equipment	425,468	457,470	(32,002)
Prosecutor victim assistance	13,084	52,338	(39,254)
Title V	43,943	55,097	(11,154)
Gallia investigator	-	2,805	(2,805)
Sheriff's overtime grant 2/1-8/31/04	19,127	19,983	(856)
Nonmajor capital projects fund:			
Permanent improvement	15,000	30,000	(15,000)

Gallia County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

NOTE 16 - RISK MANAGEMENT

The County is exposed to various risks of loss related to torts, theft or damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During 2004, the County contracted with County Risk Sharing Authority (CORSA), a jointly governed organization, for liability, property, and crime insurance. The CORSA program has a \$2,500 deductible.

Coverage provided by the program is as follows:

Property:

Blanket coverage (\$100,000,000 annual aggregate pool limit for flood and earthquake)

Liability

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

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

Health insurance is provided by Nationwide. Workers' compensation benefits are provided through the State Bureau of Workers' Compensation. The County pays all elected officials' bonds by statute.

NOTE 17 - DEFINED BENEFIT RETIREMENT PLANS

A. Ohio Public Employees Retirement System

The County participates in the Ohio Public Employees Retirement System of Ohio (OPERS), a cost-sharing multiple-employer public employee retirement system created by the State of Ohio. OPERS administers three separate pension plans, the Traditional Pension Plan (TP), a cost-sharing multiple-employer defined benefit pension plan and the Member-Directed Plan (MD), which is a defined contribution plan in which the member invest both member and employer contributions (employer contributions vest over five years at 20% per year). Under the MD Plan members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings thereon. The third plan is the Combined Plan (CO), which is a cost-sharing multiple-employer defined benefit pension plan. Employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to the TP benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the MD plan.

OPERS provide retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the Traditional Plan and Combined Plan. Members of the MD Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. OPERS issue 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 or by calling (614) 222-6705 or 1-800-222-7377.

Gallia County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

NOTE 17 - DEFINED BENEFIT RETIREMENT PLANS *(continued)*

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2003, member and employer contribution rates were consistent across all three plans (TP, MD and CO). Separate divisions for law enforcement and public safety exist only within the Traditional Plan. The 2004 member contribution rates were 8.5% for members in classifications other than law enforcement and public safety. Members in the law enforcement classification, which consist of sheriffs, deputy sheriffs, and township police contributed at rate of 10.1%. Public safety division members contribute at 9%. The 2004 employer contribution rate for employees other than law enforcement and public safety division was 13.55%. For both law enforcement and public safety divisions the employer contribution rate was 16.70%. Total required employer contributions for all plans (TP, MD and CO) are equal to 100% of employer charges and must be extracted from the employer's records. The County's contributions to OPERS for the years ended December 31, 2004, 2003, and 2002 were \$877,869, \$1,011,228, and \$827,306 respectively; 86.6% has been contributed for 2004 and 100 percent for 2003 and 2002. \$117,352, representing the unpaid contribution for 2004, is recorded as a liability within the respective funds.

B. State Teachers Retirement System

Certified teachers employed by the school for the Mentally Retarded/Developmentally Disabled participate in the State Teachers Retirement System of Ohio (STRS Ohio), a cost sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS Ohio provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS Ohio issues a publicly available financial report that includes financial statements and required supplementary information for STRS Ohio. That report may be obtained by writing to the State Teachers Retirement System of Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771 or by calling (614) 227-4090 or by visiting the STRS Ohio Web site at www.strsoh.org.

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

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

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

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

Gallia County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

NOTE 17 - DEFINED BENEFIT RETIREMENT PLANS *(continued)*

Plan members are required to contribute 9.3% of their annual covered salary (for the period January 1-June 30, 2004) and 10% (for the period July 1-December 31, 2004). The County is required to contribute 14%; 13% was the portion used to fund pension obligations. For fiscal year 2003, 9.5% was the portion used to fund pension obligations. Contribution rates are established by STRS Ohio Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. The County's required contributions for pension obligations to the DB Plan for the years ended December 31, 2004, 2003 and 2002, were \$75,662, \$76,187, and \$78,909 respectively, 88.3% has been contributed for 2004 and 100% for the years 2003 and 2002. Of the 2004 amount, \$8,844 representing the unpaid contribution for 2004 is recorded as a liability within the respective funds. Contributions to the DC and Combined plans for fiscal year 2004 were \$76,283 made by the County and \$57,942 made by the plan members.

NOTE 18 - POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

OPERS administers three separate pension plans, the Traditional Plan (TP), the Member-Directed Plan (MD), and the Combined Plan (CO), all of which are described in Note 17. OPERS provide retirement, disability, survivor and post-retirement health care benefits to qualifying member of both the TP and MD Plans; however, health care benefits are not statutorily guaranteed. Member of the MD Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-retirement health care coverage, age and service retirees must have ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the Retirement System is considered an Other Post-employment Benefit (OPEB) as described in GASB Statement No. 12, "Disclosure of Information on Post employment Benefits other than Pension Benefits by State and Local Government Employers". A portion of each employer's contribution to OPERS is set aside for the funding of postretirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The OPERS law enforcement program is separated into two divisions, law enforcement and public safety, with separate employee contribution rates and benefits. The 2004 employer contribution rate for local government employers was 13.55% of covered payroll and 4.00% was the portion that was used to fund health care. For both the public safety and law enforcement divisions the 2004 employer rate was 16.70% of covered payroll and 4.00% was the portion used to fund health care.

The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to OPERS. The County's contribution actually made to fund post employment benefits was \$362,043.

OPEB are advanced-funded on an actuarially determined basis. An entry-age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of the unfunded actuarial accrued liability. All investments are carried at market value. For actual valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted to reflect 25% of unrealized market appreciation or depreciation on investment assets annually. The investment assumption rate for 2004 was 8.00%. An annual increase of 4.00%, compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.00% base increase, were assumed to range from 0.50% to 6.30%. Health care costs were assumed to increase 4.00% annually.

At year-end 2004, the number of active contributing participants in the TP and CO Plans totaled 355,287. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$26.9 billion and \$16.4 billion, respectively. The actuarial value of the Retirement System's net assets available for OPEB at December 31, 2004 was \$10.8 billion.

Gallia County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

NOTE 18 - POSTEMPLOYMENT BENEFITS *(continued)*

On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to skyrocketing health care costs.

Under the HCPP, retirees eligible for health care coverage will be receive a graded monthly allocation based on their years of service at retirement. The Plan incorporates a cafeteria approach, offering a broad range of health care options that allow benefit recipients to use their monthly allocation to purchase health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options selected, the excess is deposited into a Retiree Medical Account that can be used to fund future health care expenses.

B. State Teachers Retirement System of Ohio

The STRS of Ohio provides access to health care coverage to retirees who participated in the Defined Benefit or Combined Plans and their dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicaid Part B premiums. Pursuant to the Ohio Revised Code, the State Teachers Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of monthly premium.

The Ohio Revised Code grants authority to STRS Ohio to provide health care coverage to eligible benefit recipients, spouses and dependents. By Ohio law, health care benefits are not guaranteed and the cost of the coverage paid from STRS Ohio funds shall be included in the employer contribution rate, currently 14% of covered payroll. The Retirement Board currently allocates employer contributions to the Health Care Stabilization Fund from which health care benefits are paid. For fiscal year end June 30, 2004 (latest information available), the Board allocated employer contributions equal to 1% of covered payroll to the Health Care Reserve Fund. For fiscal year ended June 30, 2003, 4.5% of covered payroll was allocated to the fund. For the County this amount equaled \$5,879 during the 2004 fiscal year. The balance in the Health Care Reserve Fund for the STRS was \$3.1 billion at June 30, 2004 (latest information available). For the year ended June 30, 2004, the net health care costs paid by the STRS were \$268,739,000 and eligible benefit recipients totaled 11,853.

NOTE 19 - ADDITIONAL DISCLOSURES FOR DISCRETELY PRESENTED COMPONENT UNITS

A. Measurement Focus and Basis of Accounting

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

B. Budgetary Basis of Accounting

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

C. Capital Assets

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

Gallia County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

NOTE 19 - ADDITIONAL DISCLOSURES FOR DISCRETELY PRESENTED COMPONENT UNITS
(continued)

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

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

A summary of changes in capital assets during 2004 for Gallco Industries, Inc. were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Depreciable capital assets:				
Furniture, fixtures and equipment	\$ 53,710	\$ 2,999	\$ -	\$ 56,709
Accumulated depreciation:				
Furniture, fixtures and equipment	(31,143)	(4,054)	-	(35,197)
Capital assets, net	<u>\$ 22,567</u>	<u>\$ (1,055)</u>	<u>\$ -</u>	<u>\$ 21,512</u>

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

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

A summary of changes in capital assets during 2004 for Gallia-Meigs Regional Airport were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Depreciable capital assets:				
Buildings and improvements	\$ 489,790	\$ -	\$ -	\$ 489,790
Furniture, fixtures and equipment	4,905	-	-	4,905
Total accumulated depreciation	<u>494,695</u>	<u>-</u>	<u>-</u>	<u>494,695</u>
Accumulated depreciation:				
Buildings and improvements	(256,919)	(10,887)	-	(267,806)
Furniture, fixtures and equipment	(4,905)	-	-	(4,905)
Total accumulated depreciation	<u>(261,824)</u>	<u>(10,887)</u>	<u>-</u>	<u>(272,711)</u>
Capital assets, net	<u>\$ 232,871</u>	<u>\$ (10,887)</u>	<u>\$ -</u>	<u>\$ 221,984</u>

Gallia County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

NOTE 20 - JOINTLY GOVERNED ORGANIZATIONS

A. Joint Solid Waste Management District

The County is a member of a multi-county Joint Solid Waste Management District (District), which is a jointly governed organization involving Gallia, Jackson, Vinton and Meigs counties. The purpose of the District is to plan and implement comprehensive and environmentally sound solid waste management facilities and provide for the establishment of waste minimization, waste reduction, and recycling programs. The District was created in 1989, as required by the Ohio Revised Code.

The Gallia, Jackson, Vinton and Meigs Solid Waste District is governed and operated through three groups. A twelve member board of directors, comprised of three commissioners from each county, is responsible for the District's financial matters. Financial records are maintained by the District. The District's sole revenue source is a waste disposal fee for in-district and out-of-district waste. A twenty-nine member policy committee comprised of six members from each county and one at-large member appointed by the policy committee, is responsible for preparing the solid waste management plan of the District in conjunction with a Technical Advisory Council whose members are appointed by the policy committee. Each participating county's influence is limited to the number of members each appoints to the board. Continued existence of the District is not dependent on the County's continued participation, no equity interest exists, and no debt is outstanding.

B. Gallia-Jackson-Meigs Counties Alcohol, Drug Addiction and Mental Health Services Board (ADAMH)

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

All of the Board's revenue is from state and federal grants awarded to the multi-county board. Since Gallia County serves as the fiscal agent for the Board, the financial activity is presented as an agency fund. Continued existence of the Board is not dependent of the County's continued participation, no debt exists, and the County does not have an equity interest in the Board. During 2004, the County made no contributions to the Board.

C. Gallia-Jackson-Meigs Counties Cluster

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

Gallia County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

NOTE 20 - JOINTLY GOVERNED ORGANIZATIONS *(continued)*

D. Area Office on Aging

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

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

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

F. Southeastern Ohio Corrections Commission

The Southeastern Ohio Corrections was formed for the purpose of planning to build a community jail through State funding. The Commission consists of Gallia, Jackson, and Meigs counties. The State funding did not become available but the Commission has remained together in the case there would be any new grants to apply for in the future. The Commission consists of twelve members which includes the President of the Commissioners, the Common Pleas Judge, and the Sheriff from each county. The Commission's fiscal agent will be the County Auditor of the County in which the jail is placed. The County made no contributions to the Commission in 2004, and the Commission is not dependent on the County's continued participation.

G. Gallia-Meigs Community Action Agency

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

Gallia County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

NOTE 20 - JOINTLY GOVERNED ORGANIZATIONS *(continued)*

H. Gallia-Jackson Child Abuse and Neglect Advisory Board

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

I. Ohio Valley Regional Development Commission

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

NOTE 21 - RELATED ORGANIZATIONS

A. O.O. McIntyre Park District

The County Probate Judge is responsible for appointing the three-member board of the O. O. McIntyre Park District. Removal of the members requires due process. The County has no ability to impose its will on the organization nor is a burden/benefit relationship in existence. The Park District has a one-half mill property tax that is collected by Gallia County and then transferred into the Park District agency fund. In addition, the Park District receives 1 percent of the County's share of Undivided Local Government Revenue Assistance and State income taxes. These items totaled \$11,594 in 2004. The District is its own budgeting and taxing authority and has no outstanding debt. The County Auditor serves as the fiscal agent for the District; therefore, the financial activity is reflected in Park District County agency fund.

B. Bossard Memorial Library

The Bossard Memorial Library is statutorily created as a separate and distinct political subdivision of the State. Four trustees of the Library are appointed by the County Commissioners, and three trustees are appointed by the judges of the Common Pleas Court. The Library has a .3 mill property tax that is collected by Gallia County into the Library agency fund. Although the County collects and distributes the tax, this function is strictly ministerial and the County provides no contributions of its own. The board of trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the County for operational subsidies. Due process is required to remove board members.

Gallia County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

NOTE 21 - RELATED ORGANIZATIONS *(continued)*

C. Gallia Metropolitan Housing Authority

The Gallia Metropolitan Housing Authority is a nonprofit organization established to provide adequate public housing for low income individuals and was created pursuant to State statutes. The Authority is operated by a five member board. Two members are appointed by the City of Gallipolis, one member is appointed by the probate court judge, one member is appointed by the common pleas court judge, and one member is appointed by the County Commissioners. The Authority receives funding from the Federal Department of Housing and Urban Development. The board sets its own budget and selects its own management, and the County is not involved in the management or operation. The County is not financially accountable for the Authority.

NOTE 22 - SHARED RISK POOL

County Risk Sharing Authority (CORSA)

The County Risk Sharing Authority, Inc. (CORSA) is a jointly governed organization among thirty-nine counties in Ohio. CORSA was formed as an Ohio nonprofit corporation for the purpose of establishing the CORSA Insurance/Self Insurance Program, a group primary and excess insurance/self-insurance and risk management program. Member counties agree to jointly participate in coverage of losses and pay all contributions necessary for the specified insurance coverage provided by CORSA. This coverage includes comprehensive general liability, automobile liability, certain property insurance and public officials' errors and omissions liability insurance.

Each member county has one vote on all matters requiring a vote, to be cast by a designated representative. The affairs of CORSA are managed by an elected board of not more than nine trustees. Only county commissioners of member counties are eligible to serve on the board. No county may have more than one representative on the board at any time. Each member county's control over the budgeting and financing of CORSA is limited to its voting authority and any representation it may have on the board of trustees. CORSA has issued certificates of participation in order to provide adequate cash reserves. The certificates are secured by the member counties' obligations to make coverage payments to CORSA. The participating counties have no responsibility for the payment of the certificates. CORSA is not dependent upon Gallia County for its continued existence, nor does the County have an equity interest in CORSA. The County's payment for insurance to CORSA in 2004 was \$152,499.

NOTE 23 - RELATED PARTY TRANSACTION

During 2004, Gallia County provided facilities, certain equipment, transportation and salaries for administration, implementation and supervision of its programs to Gallco Industries, Inc., a discretely presented component unit of Gallia County. Rehabilitative services provided directly to clients of Gallco Industries by the County amounted to \$57,529.

Gallia County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

NOTE 24 - GALLIA COUNTY LANDFILL

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

NOTE 25 - DECLINING MORTGAGE LOANS

Gallia County administers a loan program with funds provided by the U.S. Department of Housing and Urban Development, through the Ohio Department of Development, Office of Housing and Community Partnerships. The purpose of this program is to provide loans to low and moderate income families for home improvements. Loans are provided as declining mortgage loans with the intent that they do not have to repay 85% of the loan (85% of the loan released at the end of either a 5 or 10 year period), unless they would sell the residence before the 5 or 10 year period ended. The remaining 15% would remain as a mortgage to the property until such time as the owner either pays it off or sells the property. As of December 31, 2004 the total amount of loans outstanding was \$33,818. Due to the nature of these loans, they do not constitute a receivable or pledge and the loans accordingly have not been reported in the accompanying financial statements.

NOTE 26 - CONTINGENT LIABILITIES

The County has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designee. These audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. Based on prior experience, the County Commissioners believe such disallowances, if any, will be immaterial. Several claims and lawsuits are pending against the County. In the opinion of the County Prosecuting Attorney, any potential liability would not have a material effect on the financial statements.

GALLIA COUNTY

*Schedule of Federal Awards Expenditures
For the Year Ended December 31, 2004*

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Federal Pass Through Entity Number	Disbursements
<u>U.S Department of Agriculture</u>			
<i>Passed Through Ohio Department of Education:</i>			
Nutrition Cluster:			
School Breakfast Program	10.553	05PU	\$ 8,234
National School Lunch Program	10.555	LLP4	12,416
Total Nutrition Cluster			20,650
Total U.S. Department of Agriculture			20,650
<u>General Services Administration (GSA) on Behalf of The Election Assistance Commission (EAC)</u>			
<i>Passed Through The Ohio Secretary of State:</i>			
Help America Vote Act of 2002	39.011	04-SOS-HAVA-43	43,617
Total General Services Administration			43,617
<u>U.S. Department of Housing and Urban Development</u>			
<i>Passed Through Ohio Department of Development:</i>			
Community Development Block Grants / State's Program	14.228	BF-04-025-1	18
		BF-03-025-1	179,631
		BF-02-025-1	22,500
		BX-03-025-1	2,014
		BC-03-025-1	132,349
		BX-01-025-1	35,974
Total Community Development Block Grant / State's Program			372,486
Emergency Shelter Grants Program	14.231	BL-03-025-1	26,925
		BL-04-025-1	9,550
Total Emergency Shelter Grants Program			36,475
HOME Investment Partnership Program	14.239	BC-01-025-2	133,676
Total U.S. Department of Housing and Urban Development			542,637
<u>U.S. Department of Justice</u>			
<i>Passed Through Ohio Department of Youth Services:</i>			
Title V - Delinquency Prevention Program	16.548	2002-JV-T50-5103	38,888
<i>Passed Through the Office of Criminal Justice Services:</i>			
Juvenile Accountability Incentive Block Grants	16.523	2002-JB-007-A230	73
Local Law Enforcement Block Grant	16.592	2003-LE-LEB3615	17,214
Violence Against Women Formula Grants	16.588	98-WF-VAS-8417	682
Total U.S. Department of Justice			56,857

GALLIA COUNTY

*Schedule of Federal Awards Expenditures
For the Year Ended December 31, 2004*

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Federal Pass Through Entity Number	Disbursements
<u>U.S. Department of Homeland Security</u>			
<i>Passed Through Ohio Emergency Management Agency:</i>			
State Domestic Preparedness Equipment Support Program	97.004	2002-TE-CX-0049	62,862
		2002-TE-CX-0106	51,390
		2003-MUP-30015	14,950
		2003-TE-TX-0199	67,040
		2004-GE-T4-0025	<u>110,844</u>
Total U.S. Department of Homeland Security			<u>307,086</u>
<u>U.S. Department of Education</u>			
<i>Passed Through Ohio Department of Education:</i>			
Special Education Cluster:			
Special Education - Grants to States	84.027	6BSF-2004	25,341
Special Education - Preschool Grants	84.173	PGS1-2004	<u>11,078</u>
Total Special Education Cluster			36,419
State Grants for Innovative Programs	84.298	C2S1-2004	<u>370</u>
Total U.S. Department of Education			<u>36,789</u>
<u>U.S. Department of Labor</u>			
<i>Passed Through the Ohio Department of Job and Family Services:</i>			
Workforce Investment Act Cluster:			
Workforce Investment Act-Adult Program	17.258	N/A	40,594
Workforce Investment Act-Adult Administrative			<u>4,059</u>
Total Workforce Investment Act - Adult			44,653
Workforce Investment Act-Youth Activities	17.259	N/A	72,180
Workforce Investment Act-Youth Administrative			<u>7,218</u>
Total Workforce Investment Act - Youth			79,398
Workforce Investment Act-Dislocated Workers	17.260	N/A	19,849
Workforce Investment Act-Dislocated Workers Administrative			<u>1,985</u>
Total Workforce Investment Act - Dislocated Workers			21,834
Total Passed Through Ohio Department of Job and Family Services:			145,885
<i>Passed Through Workforce Investment Act, Area 7:</i>			
Workforce Investment Act Cluster:			
Workforce Investment Act-Adult Program	17.258	N/A	102,692
Total Workforce Investment Act - Adult			<u>102,692</u>
Workforce Investment Act-Youth Activities	17.259	N/A	70,681
Total Workforce Investment Act - Youth			<u>70,681</u>
Workforce Investment Act-Dislocated Workers	17.260	N/A	51,586
Total Workforce Investment Act - Dislocated Workers			<u>51,586</u>
Total Passed Through Workforce Investment Act, Area 7:			<u>224,959</u>
Total U.S. Department of Labor			<u>370,844</u>

GALLIA COUNTY

*Schedule of Federal Awards Expenditures
For the Year Ended December 31, 2004*

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Federal Pass Through Entity Number	Disbursements
<u>U.S. Department of Transportation</u>			
<i>Direct from the Federal Government:</i>			
Airport Improvement Program	20.106	N	107,311
Total U.S. Department of Transportation			<u>107,311</u>
<u>U.S. Department of Health and Human Services</u>			
<i>Passed Through the Ohio Department of Mental Retardation and Development Disabilities:</i>			
Social Services Block Grant (Title XX)	93.667	N/A	29,380
Medical Assistance Program (Title XIX)	93.778	N/A	288,150
SCHIP	93.767	N/A	301
Total U.S. Department of Health and Human Services			<u>317,831</u>
TOTAL FEDERAL AWARDS EXPENDITURES			<u>\$ 1,803,622</u>

N/A - Pass Through Entity Number Not Available

N - Direct from Federal Government

See Notes to Schedule of Federal Awards Expenditures.

**GALLIA COUNTY FINANCIAL CONDITION
GALLIA COUNTY
FOR THE YEAR ENDED DECEMBER 31, 2004**

NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the County's federal awards programs. The Schedule has been prepared on the cash basis of accounting.

NOTE 2 – MATCHING REQUIREMENTS

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

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

The County has established a revolving loan program to provide low interest loans to businesses to create jobs for persons from low to moderate income households and to eligible persons and to rehabilitate homes. The Federal Department of Housing and Urban Development (HUD) grants money for these loans to the County, passed through the Ohio Department of Development (ODOD). The initial loan of this money is recorded as a disbursement on the accompanying Schedule of Federal Awards Expenditures (the Schedule). Loans repaid, including interest, are used to make additional loans. Such subsequent loans are subject to certain compliance requirements imposed by HUD, but are not included as disbursements on the Schedule. These loans are collateralized by mortgages on the property. At December 31, 2004, the gross amount of loans outstanding under this program was \$74,246.

NOTE 4 – CHILD NUTRITION CLUSTER

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

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

NOTE 5 – SUBRECIPIENTS

The County passed-through certain Federal assistance received from the Ohio Department of Job and Family Services to other governments or not-for-profit agencies (subrecipients). As described in Note 1, the County 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 County is responsible for monitoring subrecipients to help assure that Federal awards are used for authorized purposes in compliance with laws, regulations and the provisions of contracts or grant agreements, and that performance goals are achieved.

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**Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

To the Board of County Commissioners
Gallia County
18 Locust Street
Gallipolis, Ohio 45631

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Gallia County, Ohio, (the County) as of and for the year ended December 31, 2004, which collectively comprise the County's basic financial statements and have issued our report thereon dated March 31, 2006, wherein we noted the County adopted Governmental Accounting Standards Board Statement Numbers 39, 40, 46, and Technical Bulletin 2004-2. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County'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 an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the County's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying schedule of findings and responses as item 2004-002.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. However, we believe that the reportable condition described above is not a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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 one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings and Questioned Costs, as item 2004-001.

We noted certain matters that we reported to the management of the County in a separate letter dated March 31, 2006.

Board of County Commissioners

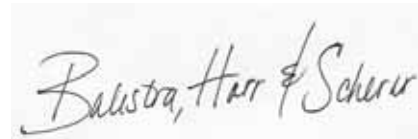
Gallia County

Gallipolis, Ohio

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based
on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*.

Page 2

This report is intended solely for the information and use of the audit committee, management, County Commissioners 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 cursive script that reads "Balestra, Harr & Scherer". The signature is written in dark ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.

March 31, 2006

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**Report on Compliance With Requirements Applicable to Each Major Program and
on Internal Control Over Compliance in Accordance with OMB Circular A-133**

To the Board of County Commissioners
Gallia County
18 Locust Street
Gallipolis, Ohio 45631

Compliance

We have audited the compliance of Gallia County, Ohio, (the County), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2004. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

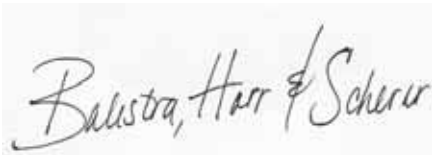
In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2004. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2004-003 and 2004-004.

Internal Control Over Compliance

The management of the County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could 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.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be 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.

This report is intended solely for the information and use of the audit committee, management, County Commissioners, 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 cursive script that reads "Balestra, Harr & Scherer". The signature is written in dark ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.

March 31, 2006

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 SECTION .505**

**GALLIA COUNTY FINANCIAL CONDITION
GALLIA COUNTY
FOR THE YEAR ENDED DECEMBER 31, 2004**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs ' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under section .510?	Yes
(d)(1)(vii)	Major Programs (list):	Community Development Block Grant, CFDA #14.228 Workforce Investment Act Cluster, CFDA #17.258, 17.259 & 17.260 State Domestic Preparedness Equipment Support Program, CFDA #97.004
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 SECTION .505**

**GALLIA COUNTY FINANCIAL CONDITION
GALLIA COUNTY
FOR THE YEAR ENDED DECEMBER 31, 2004**

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

FINDING NUMBER 2004-001

Noncompliance Citation – ORC 5705.39

Ohio Revised Code Section 5705.39 provides that the total appropriation from each fund should not exceed the total estimated revenue. No appropriation measure is to become effective until the County Auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official certificate.

The County's appropriations exceeded estimated resources in the Community Development Block Grant and Department of Job and Family Services funds at December 31, 2004.

We recommend the County review appropriations versus estimated resources throughout the year to determine if any amendments need to be made to appropriations or estimated resources.

FINDING NUMBER 2004-002

Suggestions for Improving Operations

Financial information is vital to an organization's management in its continual effort to effectively make decisions to guide the organization. It is also important for management to receive timely feedback on the reliability of financial information summarized in the financial statements, notes to the financial statements, and the schedules used to make these management decisions. The County's compiled financial report for the year ended December 31, 2004, was not available for audit until March 21, 2006.

We recommend the County and its consultant establish timelines that make the financial statements, notes to the financial statements, and schedules available to the management, independent auditors and public in a more timely manner.

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 SECTION .505**

**GALLIA COUNTY FINANCIAL CONDITION
GALLIA COUNTY
FOR THE YEAR ENDED DECEMBER 31, 2004**

3. FINDINGS FOR FEDERAL AWARDS

Finding Number	2004-003
CFDA Title and Number	Workforce Investment Act Cluster – CFDA # 17.258, 17.259, and 17.260 Community Development Block Grant – CFDA #14.228 State Domestic Preparedness Equipment Support Program – CFDA # 97.004
Federal Award Number/Year	2003-2004 and 2004-2005
Federal Agency	U.S. Department of Labor, U.S. Department of Housing and Urban Development, U.S. Department of Homeland Security
Pass-Through Agency	Ohio Department of Job and Family Services, Ohio Department of Development, Ohio Emergency Management Agency

Noncompliance Citation – Report Submission

OMB Circular A-133 section .320 requires that the completed audit and data collection form shall be submitted within the earlier of 30 days after the receipt of the auditor’s report(s), or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audit.

The County’s audit for fiscal year 2004 was not completed until April 4, 2006 which is 15 months after the end of the audit period.

We recommend management work more closely with the GAAP consultant to ensure the timeliness of the GAAP report availability for audit.

Finding Number	2004-004
CFDA Title and Number	Workforce Investment Act Cluster – CFDA # 17.258, 17.259, and 17.260
Federal Award Number/Year	2003-2004 and 2004-2005
Federal Agency	U.S. Department of Labor
Pass-Through Agency	Ohio Department of Job and Family Services

Noncompliance Citation – Activities Allowed or Unallowed

Section 134 (d)(4)(G) of the Workforce Investment Act indicates that an Individual Training Account (ITA) is established on behalf of a participant. WIA Title I adult and dislocated workers “purchase” training services from eligible providers they select in consultation with the case manager. Payments from ITA’s may be made in a variety of ways, including the electronic transfer of funds, through financial institutions, vouchers, or other appropriate methods. Payments may also be made incrementally; through payment of a portion of the costs at different points in the training course. The County Department of Job and Family Services is responsible for maintaining records for each ITA. An ITA is not a separate cash account, it is simply a record of cash authorized and services “purchased” for an eligible participant.

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 SECTION .505**

**GALLIA COUNTY FINANCIAL CONDITION
GALLIA COUNTY
FOR THE YEAR ENDED DECEMBER 31, 2004**

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

Finding Number	2004-004 (Continued)
CFDA Title and Number	Workforce Investment Act Cluster – CFDA # 17.258, 17.259, and 17.260
Federal Award Number/Year	2003-2004 and 2004-2005
Federal Agency	U.S. Department of Labor
Pass-Through Agency	Ohio Department of Job and Family Services

Noncompliance Citation and Reportable Condition – Activities Allowed or Unallowed (Continued)

While testing the accuracy of individual training accounts (ITA), we found that ITA’s were not always maintained in a manner to determine beginning balances, credits, payments and running balances. This could result in ITA amounts being exceeded and errors going undetected for an extended period of time. It was also determined that individual training account payments are not reconciled to fund disbursements.

We recommend the Gallia County Department of Job and Family Services develop a method to track individual training accounts which includes a method to determine that the beginning balance, plus credits, less payments charged, equal the ending balance. This method should also include a reconciliation with the fiscal agent and matching ITA payments to fund disbursements.

GALLIA COUNTY

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 §.315(b)
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2004**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2003-001	Ohio Rev. Code Section 5705.38- Finding for recovery in favor of the Gallia County General Fund regarding overpayment of Sheriff's Deputy.	No	
2003-002	Ohio Rev. Code Section 5705.38- Finding for recovery in favor Gallia County Department of Job and Family Services regarding check issued to non-WIA participant.	Yes	
2003-003	Ohio Rev. Code Section 5901.04- Finding for recovery in favor of the Gallia County General Fund regarding overpayment of authorized salaries for Veterans Service Board members.	No	
2003-004	29 C.F.R. 97.36 – WIA subrecipient monitoring.	Yes	
2003-005	29 C.F.R. 97.20 – WIA cash management	Yes	
2003-006	20 C.F.R. 667.410 WIA subrecipient monitoring	Yes	
2003-007	Section 134 (d)(4)(G) Workforce Investment Act – activities allowed or unallowed.	No	Not corrected. Reissued as Finding 2004-004.

GALLIA COUNTY

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A-133 §.315(c)
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2004**

Finding Number	Planned Corrective Action Plan	Anticipated Completion Date	Responsible Contact Person
2004-001	Management will more closely monitor appropriations versus estimated resources.	4/31/06	Larry Betz, County Auditor
2004-002	Management will work with GAAP consultant to ensure timeliness of GAAP report.	4/31/06	Larry Betz, County Auditor
2004-003	Management will work with GAAP consultant to ensure timeliness of GAAP report.	4/31/06	Larry Betz, County Auditor
2004-004	The Gallia County Department of Job and Family Services is currently in the process of resolving these issues with the Ohio Department of Job and Family Services. The Gallia County Department of Job and Family Services is also implementing policies to comply with requirements of activities allowed or unallowed.	4/31/06	Kathy McCalla, Director Gallia County Department of Job and Family Services



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FINANCIAL CONDITION

GALLIA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 30, 2006**