



Dave Yost • Auditor of State

GALLIA COUNTY
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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Gallia County
18 Locust Street
Gallipolis, Ohio 45631

To the Board of County Commissioners:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of Gallia County, Ohio (the County), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of Gallia County, Ohio, as of December 31, 2012, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparisons for the General, Motor Vehicle Gasoline Tax, Job and Family Services, and Board of Developmental Disabilities Funds thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the basic financial statements, during the year ended December 31, 2012, the County adopted the provisions of Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*. We did not modify our opinion regarding these matters.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

The Federal Awards Expenditures Schedule presents 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 also not a required part of the financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 5, 2013, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State

Columbus, Ohio

September 5, 2013

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Gallia County
Management's Discussion and Analysis
For the Year Ended December 31, 2012
Unaudited

The discussion and analysis of Gallia County's financial performance provides an overall review of the County's financial activities for the year ended December 31, 2012. The intent of this discussion and analysis is to look at the County's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the County's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2012 are as follows:

- In total, net position increased \$7,748,181. Net position of governmental activities increased \$4,455,069, or 4.0 percent from 2011. Net position of business-type activities increased \$3,293,112, or 54.2 percent from 2011.
- In total, assets increased \$8,385,298. Governmental activities assets increased \$4,840,553, while the business-type activities assets increased \$3,544,745.
- Overall, capital assets increased \$3,550,547. Total capital assets of governmental activities increased \$3,426,276, or 3.4 percent. Capital assets of business-type activities increased \$124,271, or 1.2 percent.
- In total, liabilities increased \$826,853. Total liabilities of governmental activities increased \$575,220. Total liabilities of business-type activities increased \$251,633 from 2011.

USING THIS ANNUAL FINANCIAL REPORT

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

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

Reporting Gallia County as a Whole

Statement of Net Position and Statement of Activities

While this document contains information about the funds used by the County to provide services to our citizens, the view of the County as a whole looks at all financial transactions and asks the question, "How did we do financially during 2012?" The Statement of Net Position and Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting considers all of the current year's revenues and expenses regardless of when cash is received or paid.

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

Gallia County
Management's Discussion and Analysis
For the Year Ended December 31, 2012
Unaudited

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

- **Governmental Activities** – Most of the County's programs or services are reported here, including legislative and executive, judicial, public safety, public works, health, human services, and community and economic development. These services are funded primarily by taxes and intergovernmental receipts, including federal and state grants and other shared revenues.
- **Business-Type Activities** – These services are provided on a charge for goods or services basis. Sewer services have charges based on the amounts of usage. The County charges fees to recoup the cost of the entire operation or our sewer treatment operations, as well as all capital expenses associated with these facilities and equipment.
- **Component Unit** – The County's financial statements include financial data for Gallico Industries, Inc. This component unit is described in the notes to the basic financial statements.

Reporting the Gallia County's Most Significant Funds

Fund Financial Statements

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

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

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

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

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

GALLIA COUNTY AS A WHOLE

Recall that the Statement of Net Position provides the perspective of the County as a whole. Table 1 provides a summary of the County's net position for 2012 compared to 2011.

Gallia County
Management's Discussion and Analysis
For the Year Ended December 31, 2012
Unaudited

(Table 1)
 Net Position

	Governmental Activities		Business-Type Activities		Total	
	2012	2011*	2012	2011	2012	2011*
Assets						
Current and Other Assets	\$18,016,483	\$16,602,206	\$3,971,340	\$550,866	\$21,987,823	\$17,153,072
Capital Assets, Net	105,030,171	101,603,895	10,876,111	10,751,840	115,906,282	112,355,735
<i>Total Assets</i>	<u>123,046,654</u>	<u>118,206,101</u>	<u>14,847,451</u>	<u>11,302,706</u>	<u>137,894,105</u>	<u>129,508,807</u>
Liabilities						
Current and Other Liabilities	1,833,654	1,779,879	112,446	157,249	1,946,100	1,937,128
Long-Term Liabilities:						
Due within One Year	604,404	678,576	1,984,049	62,339	2,588,453	740,915
Due in More than One Year	3,304,361	2,708,744	3,383,896	5,009,170	6,688,257	7,717,914
<i>Total Liabilities</i>	<u>5,742,419</u>	<u>5,167,199</u>	<u>5,480,391</u>	<u>5,228,758</u>	<u>11,222,810</u>	<u>10,395,957</u>
Deferred Inflows of Resources						
Property Taxes Not Levied to Finance Current Year Operations	3,709,183	3,898,919	0	0	3,709,183	3,898,919
Net Position						
Net Investment in Capital Assets	102,168,426	99,319,819	5,510,695	5,675,852	107,679,121	104,995,671
Restricted for:						
Debt Service	40,324	0	0	0	40,324	0
Capital Outly	73,705	0	0	0	73,705	0
Road and Bridges	3,337,477	2,953,192	0	0	3,337,477	2,953,192
Board of Developmental Disabilities	1,349,181	990,834	0	0	1,349,181	990,834
Community and Economic Development	1,566,276	1,670,021	0	0	1,566,276	1,670,021
Unclaimed Monies	24,430	0	0	0	24,430	0
Other Purposes	2,391,630	2,429,023	0	0	2,391,630	2,429,023
Unrestricted	2,643,603	1,777,094	3,856,365	398,096	6,499,968	2,175,190
<i>Total Net Position</i>	<u>\$113,595,052</u>	<u>\$109,139,983</u>	<u>\$9,367,060</u>	<u>\$6,073,948</u>	<u>\$122,962,112</u>	<u>\$115,213,931</u>

* - As restated (see Note 3B)

Governmental activities assets increased \$4,840,553. The increase is primarily due to increases in capital assets in the amount of \$3,426,276; intergovernmental receivables of \$377,603; and equity in pooled cash and cash equivalents of \$922,904. The increases in capital assets are due to the purchase of the Job and Family Services Building, road and bridge improvements, and the governing board of the Gallia-Meigs Regional Airport dissolving, contributing all of their capital assets to the County. The intergovernmental receivable increased due to the new collection of casino tax from the State. Total governmental activities liabilities increased \$575,220. This is primarily the result of the issuance of General Obligation Bonds for \$744,000 for the purchase of the Job and Family Services Building.

Total business-type activities assets increased \$3,544,745. This was due to an increase in capital assets of \$124,271 combined with an increase in cash and cash equivalents in the amount of \$3,431,765. The increases in capital assets are due to the continuing construction of the Kanauga-Addison and Green sewer projects. The increase in cash and cash equivalents is due to a \$3,500,000 insurance recovery obtained for damages that occurred during the construction of the Kanauga Addison Sewer System.

Gallia County
Management's Discussion and Analysis
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Unaudited

For business-type activities, liabilities increased \$251,633. This is primarily the result of increases in long-term liabilities of \$296,436, offset by decreases to contracts payable in the amounts of \$55,019. The changes are all the result of the activity related to the Kanauga/Addison, Mercerville, and Green sewer systems.

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

(Table 2)
 Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues						
Program Revenues:						
Charges for Services	\$5,644,806	\$5,407,558	\$331,705	\$335,610	\$5,976,511	\$5,743,168
Operating Grants, Contributions and Interest	15,001,604	13,739,639	3,578	0	15,005,182	13,739,639
Capital Grants and Contributions	3,185,364	3,880,009	0	49,451	3,185,364	3,929,460
<i>Total Program Revenues</i>	<u>23,831,774</u>	<u>23,027,206</u>	<u>335,283</u>	<u>385,061</u>	<u>24,167,057</u>	<u>23,412,267</u>
General Revenues:						
Property Taxes	3,405,269	3,336,119	0	0	3,405,269	3,336,119
Sales Taxes	4,456,487	4,663,175	0	0	4,456,487	4,663,175
Grants and Entitlements	1,120,062	917,946	0	0	1,120,062	917,946
Interest	257,766	267,110	34,550	8,539	292,316	275,649
Contributions and Donations	270	0	0	0	270	0
Insurance Recoveries	146,654	87,898	3,500,000	0	3,646,654	87,898
Miscellaneous	216,460	480,431	1,346	2,990	217,806	483,421
<i>Total General Revenues</i>	<u>9,602,968</u>	<u>9,752,679</u>	<u>3,535,896</u>	<u>11,529</u>	<u>13,138,864</u>	<u>9,764,208</u>
Total Revenues	<u>33,434,742</u>	<u>32,779,885</u>	<u>3,871,179</u>	<u>396,590</u>	<u>37,305,921</u>	<u>33,176,475</u>
Program Expenses						
General Government:						
Legislative and Executive	4,684,372	5,174,188	0	0	4,684,372	5,174,188
Judicial	1,745,650	1,754,591	0	0	1,745,650	1,754,591
Public Safety	5,070,923	5,479,528	0	0	5,070,923	5,479,528
Public Works	5,480,171	3,700,326	0	0	5,480,171	3,700,326
Health	2,991,729	3,037,929	0	0	2,991,729	3,037,929
Human Services	8,498,634	6,770,193	0	0	8,498,634	6,770,193
Economic Development and Assistance	395,199	1,013,548	0	0	395,199	1,013,548
Interest and Fiscal Charges	112,995	110,234	0	0	112,995	110,234
Sewer	0	0	578,067	387,382	578,067	387,382
<i>Total Program Expenses</i>	<u>28,979,673</u>	<u>27,040,537</u>	<u>578,067</u>	<u>387,382</u>	<u>29,557,740</u>	<u>27,427,919</u>
<i>Increase in Net Position</i>	4,455,069	5,739,348	3,293,112	9,208	7,748,181	5,748,556
Restatement to Beginning of Year Net Position	0	65,453,775 *	0	0	0	65,453,775 *
<i>Net Position at Beginning of Year</i>	<u>109,139,983 *</u>	<u>37,946,860</u>	<u>6,073,948</u>	<u>6,064,740</u>	<u>115,213,931</u>	<u>44,011,600</u>
<i>Net Position at End of Year</i>	<u>\$113,595,052</u>	<u>\$109,139,983</u>	<u>\$9,367,060</u>	<u>\$6,073,948</u>	<u>\$122,962,112</u>	<u>\$115,213,931</u>

* - As restated (see Note 3B)

Gallia County
Management's Discussion and Analysis
For the Year Ended December 31, 2012
Unaudited

Governmental Activities

Program revenues accounted for 71.3 percent of total revenues for governmental activities in 2012. Governmental activities services are primarily funded through these program revenues, with operating and capital grants accounting for \$18,186,968 or 54.4 percent of total revenues. The major recipients of these intergovernmental receipts were the Motor Vehicle Gasoline Tax, Job and Family Services, Passthrough for Road Projects Fund, and Board of Developmental Disabilities Special Revenue Funds.

The County's direct charges to users of governmental services made up \$5,644,806 or 16.9 percent of total governmental revenues. These charges are for fees associated with the collection of property taxes, fines and forfeitures related to judicial activity, licenses and permits, and public assistance fees.

General revenues, primarily property and sales taxes, accounted for the remaining 28.7 percent of total revenues. This highlights the County's continued dependence upon its citizens and taxpayers to fund those programs most important to them.

Human service programs accounted for \$8,498,634 or 29.3 percent of total expenses for governmental activities. The expenses are primarily for Job and Family Services, Children's Services, and Child Support Enforcement activity. These activities are almost entirely paid from program revenues. These grants and entitlements allow the County to continue to offer a wide variety of quality services to its citizens without increasing the tax burden on our citizens.

Public safety programs are a major activity of the County, accounting for \$5,070,923 or 17.5 percent of all governmental expenses. These activities are funded primarily through property and sales taxes. The County attempts to supplement the income and activities of the sheriff department to enable the department to widen the scope of its activity at the lowest cost to the taxpayer. The Work Release Center is an example of this philosophy.

Public works programs accounted for \$5,480,171 or 18.9 percent of all governmental activities. These activities are paid entirely with program revenues. The additional funding this year from the Ohio Department of Public Safety was used for numerous slip repairs throughout the County.

General government legislative and executive and judicial, health, economic development and assistance, and interest and fiscal charges expenditures account for the remaining 34.3 percent of governmental expenses.

Business-Type Activities

The County's sewer operations experienced an increase in net position of \$3,293,112 during 2012. Charges for services and sales and operating grants accounted for \$331,705 and \$3,578, respectively, or 8.7 percent of total revenue. Sewer expenses increased \$190,685 from 2011.

THE COUNTY'S FUNDS

The County's governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$31,522,820 and expenditures of \$30,983,938.

The fund balance of the General Fund increased \$769,142. The General Fund's unassigned fund balance of \$1,804,110 represented 23.5 percent of current year expenditures. Most of this balance remains in the County's treasury.

The fund balance of the Motor Vehicle Gasoline Tax Special Revenue Fund increased \$435,173. The Motor Vehicle Gasoline Tax Special Revenue Fund's restricted fund balance of \$1,875,779 represented 36.2 percent of current year expenditures.

Gallia County
Management's Discussion and Analysis
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Unaudited

The fund balance of the Job and Family Services Special Revenue Fund decreased \$138,070. The Job and Family Services Special Revenue Fund's ended the year with a deficit fund balance of \$145,164.

The fund balance of the Board of Developmental Disabilities Special Revenue Fund increased \$307,944. The Board of Developmental Disabilities Special Revenue Fund's restricted fund balance of \$1,050,574 represented 40.6 percent of current year expenditures.

The net position of the Sewer Enterprise Fund increased \$3,293,112. This significant increase results from an insurance recovery receipt for \$3,500,000 relating to the Kanauga/Addison Sewer project. The Sewer Fund's unrestricted net position of \$3,856,365 represented 667 percent of current year expenses.

General Fund Budgeting Highlights

The County's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. From time to time during the year, the fund's budget may be amended as needs or conditions change.

During the course of 2012, the County amended its General Fund budget several times, though none were significant. All recommendations for a budget change came from either the County Auditor or departmental managers to the Finance Committee of the County Commissioners for review before going to the whole Commission for Ordinance enactment on the change. The allocation of appropriations among the departments and objects within a fund may be changed during the year with approval from the County Commissioners. With the General Fund supporting many of our major activities such as our sheriff department, as well as most legislative and executive activities, the General Fund is monitored closely looking for possible revenue shortfalls or overspending by individual departments. For the General Fund, increases of \$614,901 were made to the original budgeted revenues. Final budgeted expenditures increased \$807,937 over the original amount. Gallia County's ending unencumbered cash balance in the General Fund matched the final budgeted amount.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2012, the County had \$105,030,171 in governmental activities, and \$10,876,111 in business-type activities, invested in land, infrastructure, construction in progress, land improvements, buildings and improvements, furniture, fixtures, and equipment, and vehicles. Table 3 shows fiscal year 2012 balances compared to 2011.

(Table 3)
 Capital Assets at December 31, 2012

	Governmental Activities		Business-Type Activities		Total	
	2012	2011*	2012	2011	2012	2011*
Land	\$648,565	\$648,565	\$0	\$0	\$648,565	\$648,565
Infrastructure	93,216,132	91,796,432	0	0	93,216,132	91,796,432
Construction in Progress	533,607	0	6,051,898	5,738,206	6,585,505	5,738,206
Land Improvements	40,781	44,919	0	0	40,781	44,919
Building and Improvements	7,939,673	6,120,028	4,799,146	4,984,114	12,738,819	11,104,142
Furniture, Fixtures, and Equipment	1,709,688	1,844,481	9,793	11,192	1,719,481	1,855,673
Vehicles	941,725	1,149,470	15,274	18,328	956,999	1,167,798
Totals	\$105,030,171	\$101,603,895	\$10,876,111	\$10,751,840	\$115,906,282	\$112,355,735

* - As restated (see Note 3B)

Gallia County
Management's Discussion and Analysis
For the Year Ended December 31, 2012
Unaudited

The assets of the County are reported at historical cost, net of depreciation. The County uses the modified approach to present infrastructure for its governmental type activities. Disclosures about the condition assessments for infrastructure can be found in the Required Supplementary Information. For additional information on capital assets, see Note 10 to the basic financial statements.

Debt

By year end, the County had various bonds, loans, and capital leases payable, totaling \$8,227,161 of which \$2,071,962 is due within one year. The County has seven general obligation bonds outstanding, one for the construction of an early childhood and family center, one for the construction of an EMS station, one for the construction of a speculative building, one for the construction of airport hangers, one for the purchase of land, one for the purchase of the JFS Building, and one for sewer improvements; five Ohio Water Development Authority loans; and two Ohio Public Works Commission loans for the construction of sewer systems; and two leases for copiers and mail equipment.

(Table 4)
 Outstanding Debt at December 31, 2012

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
General Obligation Bonds	\$2,834,573	\$2,180,300	\$1,664,200	\$1,693,700	\$4,498,773	\$3,874,000
EMS Rescue Truck Loan	0	8,431	0	0	0	8,431
Gradall Grader Loan	0	54,864	0	0	0	54,864
OWDA Loans	0	0	3,304,885	2,968,312	3,304,885	2,968,312
OPWC Loans	0	0	396,331	407,831	396,331	407,831
Capital Leases	27,172	34,073	0	0	27,172	34,073
Totals	\$2,861,745	\$2,277,668	\$5,365,416	\$5,069,843	\$8,227,161	\$7,347,511

The County's overall legal debt margin was \$16,515,829 at December 31, 2012. For additional information on the County's debt, see Notes 20 and 25 to the basic financial statements.

CURRENT ISSUES

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

CONTACTING THE COUNTY AUDITOR'S DEPARTMENT

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

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Gallia County
Statement of Net Position
December 31, 2012

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Gallco Industries, Inc.
Assets				
Equity in Pooled Cash and Cash Equivalents	\$5,860,231	\$3,862,210	\$9,722,441	\$161,220
Cash and Cash Equivalents in Segregated Accounts	47,955	0	47,955	0
Cash and Cash Equivalents with Fiscal Agents	350,954	0	350,954	0
Accounts Receivable	82,957	106,637	189,594	2,312
Internal Balances	97,507	(97,507)	0	0
Intergovernmental Receivable	5,396,122	100,000	5,496,122	0
Sales Tax Receivable	1,193,953	0	1,193,953	0
Materials and Supplies Inventory	0	0	0	9,878
Prepaid Items	59,683	0	59,683	497
Loans Receivable	836,236	0	836,236	0
Property Taxes Receivable	4,090,885	0	4,090,885	0
Nondepreciable Capital Assets	94,398,304	6,051,898	100,450,202	0
Depreciable Capital Assets, Net	10,631,867	4,824,213	15,456,080	77,958
<i>Total Assets</i>	<u>123,046,654</u>	<u>14,847,451</u>	<u>137,894,105</u>	<u>251,865</u>
Liabilities				
Accounts Payable	552,278	16,024	568,302	0
Contracts Payable	419,924	20,664	440,588	0
Retainage Payable	20,162	6,145	26,307	0
Accrued Wages Payable	267,687	4,257	271,944	0
Matured Compensated Absences Payable	31,277	0	31,277	0
Intergovernmental Payable	524,634	2,606	527,240	243
Accrued Interest Payable	17,692	62,750	80,442	0
Long-Term Liabilities:				
Due within One Year	604,404	1,984,049	2,588,453	0
Due in More than One Year	3,304,361	3,383,896	6,688,257	0
<i>Total Liabilities</i>	<u>5,742,419</u>	<u>5,480,391</u>	<u>11,222,810</u>	<u>243</u>
Deferred Inflows of Resources				
Property Taxes not Levied to Finance Current Year Operations	3,709,183	0	3,709,183	0
Net Position				
Net Investment in Capital Assets	102,168,426	5,510,695	107,679,121	77,958
Restricted for:				
Debt Service	40,324	0	40,324	0
Capital Outlay	73,705	0	73,705	0
Roads and Bridges	3,337,477	0	3,337,477	0
Board of Developmental Disabilities	1,349,181	0	1,349,181	0
Community and Economic Development	1,566,276	0	1,566,276	0
Unclaimed Monies	24,430	0	24,430	0
Other Purposes	2,391,630	0	2,391,630	0
Unrestricted	2,643,603	3,856,365	6,499,968	173,664
<i>Total Net Position</i>	<u>\$113,595,052</u>	<u>\$9,367,060</u>	<u>\$122,962,112</u>	<u>\$251,622</u>

See accompanying notes to the basic financial statements.

Gallia County
Statement of Activities
For the Year Ended December 31, 2012

	Program Revenues			
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants and Contributions
Governmental Activities				
General Government:				
Legislative and Executive	\$4,684,372	\$1,612,367	\$24,296	\$0
Judicial	1,745,650	987,689	349,203	0
Public Safety	5,070,923	1,174,115	513,485	0
Public Works	5,480,171	360,023	5,254,617	1,569,784
Health	2,991,729	558,868	1,430,542	0
Human Services	8,498,634	745,127	7,160,780	0
Economic Development and Assistance	395,199	206,617	268,681	1,615,580
Interest and Fiscal Charges	112,995	0	0	0
<i>Total Governmental Activities</i>	28,979,673	5,644,806	15,001,604	3,185,364
Business-Type Activity				
Sewer	578,067	331,705	3,578	0
<i>Total Primary Government</i>	<u>\$29,557,740</u>	<u>\$5,976,511</u>	<u>\$15,005,182</u>	<u>\$3,185,364</u>
Component Unit				
Gallco Industries, Inc.	<u>\$134,023</u>	<u>\$41,932</u>	<u>\$73,279</u>	<u>\$0</u>

General Revenues

Property Taxes Levied for:

General Purposes

Board of Developmental Disabilities

Sales Taxes Levied for:

General Purposes

Public Safety

Grants and Entitlements not Restricted to Specific Programs

Interest

Contributions and Donations

Insurance Recoveries

Miscellaneous

Total General Revenues

Change in Net Position

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

Net Position End of Year

See accompanying notes to the basic financial statements.

Net (Expense) Revenue
and Changes in Net Assets

Primary Government			Component Unit
Governmental Activities	Business-Type Activity	Total	Gallco Industries, Inc.
(\$3,047,709)	\$0	(\$3,047,709)	\$0
(408,758)	0	(408,758)	0
(3,383,323)	0	(3,383,323)	0
1,704,253	0	1,704,253	0
(1,002,319)	0	(1,002,319)	0
(592,727)	0	(592,727)	0
1,695,679	0	1,695,679	0
(112,995)	0	(112,995)	0
(5,147,899)	0	(5,147,899)	0
0	(242,784)	(242,784)	0
(5,147,899)	(242,784)	(5,390,683)	0
0	0	0	(18,812)
2,333,653	0	2,333,653	0
1,071,616	0	1,071,616	0
3,564,509	0	3,564,509	0
891,978	0	891,978	0
1,120,062	0	1,120,062	0
257,766	34,550	292,316	285
270	0	270	0
146,654	3,500,000	3,646,654	0
216,460	1,346	217,806	1,157
9,602,968	3,535,896	13,138,864	1,442
4,455,069	3,293,112	7,748,181	(17,370)
109,139,983	6,073,948	115,213,931	268,992
\$113,595,052	\$9,367,060	\$122,962,112	\$251,622

Gallia County
Balance Sheet
Governmental Funds
December 31, 2012

	General	Motor Vehicle Gasoline Tax	Job and Family Services	Board of Developmental Disabilities	Other Governmental Funds	Total Governmental Funds
Assets:						
Equity in Pooled Cash and Cash Equivalents	\$1,398,819	\$1,154,240	\$262,276	\$551,699	\$2,221,035	\$5,588,069
Cash and Cash Equivalents in Segregated Accounts	15,135	0	0	5,888	26,932	47,955
Cash and Cash Equivalents with Fiscal Agents	0	0	0	350,954	0	350,954
Restricted Assets:						
Cash and Cash Equivalents	24,430	0	0	0	0	24,430
Receivables:						
Property Taxes	2,942,888	0	0	1,147,997	0	4,090,885
Sales Taxes	954,484	0	0	0	239,469	1,193,953
Accounts	17,555	0	0	25,052	40,350	82,957
Intergovernmental	618,047	2,523,745	166,092	629,652	1,458,586	5,396,122
Loans	0	0	0	0	836,236	836,236
Interfund	129,401	4,772	2,294	1,057	146,143	283,667
Prepaid Items	59,683	0	0	0	0	59,683
Total Assets	<u>\$6,160,442</u>	<u>\$3,682,757</u>	<u>\$430,662</u>	<u>\$2,712,299</u>	<u>\$4,968,751</u>	<u>\$17,954,911</u>
Liabilities and Fund Balances						
Liabilities:						
Accounts Payable	\$78,392	\$112,946	\$222,565	\$32,725	\$105,650	\$552,278
Contracts Payable	170,795	14,524	16,848	0	217,757	419,924
Retainage Payable	0	0	0	0	20,162	20,162
Accrued Wages Payable	49,454	30,478	80,548	53,077	54,130	267,687
Matured Compensated Absences Payable	3,203	0	0	0	28,074	31,277
Intergovernmental Payable	182,035	36,202	150,893	49,627	105,877	524,634
Interfund Payable	4,772	6,605	77,271	0	97,512	186,160
Total Liabilities	<u>488,651</u>	<u>200,755</u>	<u>548,125</u>	<u>135,429</u>	<u>629,162</u>	<u>2,002,122</u>
Deferred Inflows of Resources:						
Property Taxes not Levied to Finance Current Year Operations	2,671,026	0	0	1,038,157	0	3,709,183
Unavailable Revenue	1,076,068	1,606,223	27,701	488,139	1,256,947	4,455,078
Total Deferred Inflows of Resources	<u>3,747,094</u>	<u>1,606,223</u>	<u>27,701</u>	<u>1,526,296</u>	<u>1,256,947</u>	<u>8,164,261</u>
Fund Balances:						
Nonspendable	84,113	0	0	0	836,236	920,349
Restricted	0	1,875,779	0	1,050,574	2,123,669	5,050,022
Committed	27,148	0	0	0	160,379	187,527
Assigned	9,326	0	0	0	0	9,326
Unassigned	1,804,110	0	(145,164)	0	(37,642)	1,621,304
Total Fund Balances	<u>1,924,697</u>	<u>1,875,779</u>	<u>(145,164)</u>	<u>1,050,574</u>	<u>3,082,642</u>	<u>7,788,528</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$6,160,442</u>	<u>\$3,682,757</u>	<u>\$430,662</u>	<u>\$2,712,299</u>	<u>\$4,968,751</u>	<u>\$17,954,911</u>

See accompanying notes to the basic financial statements.

Gallia County
*Reconciliation of Total Governmental Fund Balances
to Net Position of Governmental Activities
December 31, 2012*

Total Governmental Fund Balances		\$7,788,528
 <i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Capital Assets used in governmental activities are not financial resources and therefore are not reported in the funds.		105,030,171
Other long-term assets are not available to pay for current-period expenditures and therefore are not reported in the funds:		
Property Taxes	381,702	
Sales Tax	447,989	
Intergovernmental Revenues	3,575,574	
Charges for Services	48,905	
Miscellaneous	908	4,455,078
An internal service fund is used by management to charge the cost of insurance to individual funds. The assets and the liabilities of the internal service fund are included in governmental activities in the statement of net position.		247,732
Long-term liabilities, accrued interest, and vacation benefits that are not due and payable in the current period and therefore are not reported in the funds:		
GO Bonds Payable	(2,834,573)	
Capital Leases Payable	(27,172)	
Accrued Interest Payable	(17,692)	
Compensated Absences	(1,047,020)	(3,926,457)
 Net Position of Governmental Activities		 <u><u>\$113,595,052</u></u>

See accompanying notes to the basic financial statements.

Gallia County
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2012

	General	Motor Vehicle Gasoline Tax	Job and Family Services	Board of Developmental Disabilities	Other Governmental Funds	Total Governmental Funds
Revenues:						
Property Taxes	\$2,268,802	\$0	\$0	\$1,050,202	\$0	\$3,319,004
Sales Taxes	3,561,827	0	0	0	891,293	4,453,120
Intergovernmental	1,023,200	5,269,175	5,715,592	1,399,033	4,117,058	17,524,058
Charges for Services	1,677,809	314,973	504,965	449,476	2,230,496	5,177,719
Fines, Licenses, and Permits	181,912	15,080	0	0	191,553	388,545
Interest	257,766	49,843	0	9,830	2,692	320,131
Rent	34,566	0	4,935	65,229	0	104,730
Gifts and Donations	270	0	0	5,500	5,953	11,723
Other	143,893	25,458	13,913	6,169	34,357	223,790
Total Revenues	9,150,045	5,674,529	6,239,405	2,985,439	7,473,402	31,522,820
Expenditures:						
Current:						
General Government:						
Legislative and Executive	3,794,787	0	0	0	508,720	4,303,507
Judicial	845,774	0	0	0	879,583	1,725,357
Public Safety	2,286,479	0	0	0	2,657,089	4,943,568
Public Works	53,051	5,169,616	0	0	1,604,581	6,827,248
Health	151,669	0	0	2,586,282	90,034	2,827,985
Human Services	363,179	0	7,219,963	0	1,618,191	9,201,333
Community and Economic Development	1,703	0	0	0	338,492	340,195
Capital Outlay	156,683	12,840	0	0	382,504	552,027
Debt Service:						
Principal Retirement	4,149	0	0	0	155,774	159,923
Interest and Fiscal Charges	4,395	0	0	0	98,400	102,795
Total Expenditures	7,661,869	5,182,456	7,219,963	2,586,282	8,333,368	30,983,938
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>1,488,176</u>	<u>492,073</u>	<u>(980,558)</u>	<u>399,157</u>	<u>(859,966)</u>	<u>538,882</u>
Other Financing Sources (Uses):						
Insurance Recoveries	146,654	0	0	0	0	146,654
General Obligation Bonds Issued	0	0	744,000	0	0	744,000
Transfers In	0	0	98,488	0	956,309	1,054,797
Transfers Out	(865,688)	(56,900)	0	(91,213)	(40,996)	(1,054,797)
Total Other Financing Sources (Uses)	<u>(719,034)</u>	<u>(56,900)</u>	<u>842,488</u>	<u>(91,213)</u>	<u>915,313</u>	<u>890,654</u>
Net Change in Fund Balance	769,142	435,173	(138,070)	307,944	55,347	1,429,536
Fund Balances at Beginning of Year	<u>1,155,555</u>	<u>1,440,606</u>	<u>(7,094)</u>	<u>742,630</u>	<u>3,027,295</u>	<u>6,358,992</u>
Fund Balances at End of Year	<u>\$1,924,697</u>	<u>\$1,875,779</u>	<u>(\$145,164)</u>	<u>\$1,050,574</u>	<u>\$3,082,642</u>	<u>\$7,788,528</u>

See accompanying notes to the basic financial statements.

Gallia County
*Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2012*

Net Change in Fund Balances - Total Governmental Funds \$1,429,536

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

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

Capital Assets Additions	4,482,812	
Depreciation Expense	<u>(871,036)</u>	3,611,776

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

Loss on Disposal of Capital Assets		(185,500)
------------------------------------	--	-----------

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

Property Taxes	86,265	
Sales Taxes	3,367	
Intergovernmental Revenues	93,574	
Charges for Services	(26,188)	
Other Revenues	<u>(7,330)</u>	149,688

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

General Obligation Bonds Payable	89,727	
Loans Payable	63,295	
Capital Leases Payable	<u>6,901</u>	159,923

In the statement of activities, interest is accrued on outstanding debt, whereas in governmental funds, interest is expended when due. (10,200)

Other financing sources in the governmental funds that increase long-term liabilities in the statement of net position are not reported:

Proceeds of General Obligation Bonds		(744,000)
--------------------------------------	--	-----------

The internal service fund used by management to charge the cost of insurance to individual funds is not reported in the government-wide statement of activities. Governmental expenditures and the related internal service fund revenue are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities: (18,786)

Compensated absences reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

62,632

Change in Net Position of Governmental Activities \$4,455,069

See accompanying notes to the basic financial statements.

Gallia County
*Statement of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Year Ended December 31, 2012*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property Taxes	\$2,291,091	\$2,206,787	\$2,206,787	\$0
Sales Taxes	3,330,000	3,559,716	3,559,716	0
Intergovernmental	721,393	961,200	961,200	0
Charges for Services	1,343,964	1,643,482	1,643,482	0
Fines, Licenses, and Permits	196,510	179,822	179,822	0
Interest	310,400	257,766	257,766	0
Rent	30,000	34,566	34,566	0
Other	308,515	148,881	148,881	0
<i>Total Revenues</i>	<u>8,531,873</u>	<u>8,992,220</u>	<u>8,992,220</u>	<u>0</u>
Expenditures:				
Current:				
General Government:				
Legislative and Executive	3,717,194	4,148,255	4,148,255	0
Judicial	839,473	873,200	873,200	0
Public Safety	2,095,128	2,300,888	2,300,888	0
Public Works	58,455	58,197	58,197	0
Health	152,050	151,669	151,669	0
Human Services	353,063	365,863	365,863	0
<i>Total Expenditures</i>	<u>7,215,363</u>	<u>7,898,072</u>	<u>7,898,072</u>	<u>0</u>
<i>Excess of Revenues Over Expenditures</i>	<u>1,316,510</u>	<u>1,094,148</u>	<u>1,094,148</u>	<u>0</u>
Other Financing Sources (Uses):				
Insurance Recoveries	79,600	146,654	146,654	0
Advances In	62,011	149,511	149,511	0
Advances Out	(24,400)	(36,548)	(36,548)	0
Transfers Out	(752,608)	(865,688)	(865,688)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(635,397)</u>	<u>(606,071)</u>	<u>(606,071)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	681,113	488,077	488,077	0
<i>Fund Balance at Beginning of Year</i>	500,829	500,829	500,829	0
Prior Year Encumbrances Appropriated	4,640	4,640	4,640	0
<i>Fund Balance at End of Year</i>	<u>\$1,186,582</u>	<u>\$993,546</u>	<u>\$993,546</u>	<u>\$0</u>

See accompanying notes to the basic financial statements.

Gallia County
*Statement of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual (Budget Basis)*
Motor Vehicle Gasoline Tax Fund
For the Year Ended December 31, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$3,907,200	\$5,033,320	\$5,033,320	\$0
Charges for Services	352,000	310,290	310,290	0
Fines, Licenses, and Permits	15,000	15,785	15,785	0
Interest	40,000	49,843	49,843	0
Other	185,800	25,458	25,458	0
<i>Total Revenues</i>	4,500,000	5,434,696	5,434,696	0
Expenditures:				
Current:				
Public Works	4,504,921	5,135,156	5,135,156	0
<i>Excess of Revenues Over (Under) Expenditures</i>	(4,921)	299,540	299,540	0
Other Financing Uses:				
Transfers Out	(56,900)	(56,900)	(56,900)	0
<i>Net Change in Fund Balance</i>	(61,821)	242,640	242,640	0
<i>Fund Balance at Beginning of Year</i>	887,944	887,944	887,944	0
Prior Year Encumbrances Appropriated	1,821	1,821	1,821	0
<i>Fund Balance at End of Year</i>	<u>\$827,944</u>	<u>\$1,132,405</u>	<u>\$1,132,405</u>	<u>\$0</u>

See accompanying notes to the basic financial statements.

Gallia County
*Statement of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual (Budget Basis)
Job and Family Services Fund
For the Year Ended December 31, 2012*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$7,088,156	\$5,289,015	\$5,289,015	\$0
Charges for Services	420,000	513,050	513,050	0
Rent	0	4,935	4,935	0
Other	42,215	13,913	13,913	0
<i>Total Revenues</i>	<u>7,550,371</u>	<u>5,820,913</u>	<u>5,820,913</u>	<u>0</u>
Expenditures:				
Current:				
Human Services	<u>7,648,859</u>	<u>7,077,170</u>	<u>7,077,170</u>	<u>0</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(98,488)</u>	<u>(1,256,257)</u>	<u>(1,256,257)</u>	<u>0</u>
Other Financing Sources:				
Proceeds of Bonds	0	744,000	744,000	0
Transfers In	98,488	98,488	98,488	0
<i>Total Other Financing Sources</i>	<u>98,488</u>	<u>842,488</u>	<u>842,488</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	0	(413,769)	(413,769)	0
<i>Fund Balance at Beginning of Year</i>	<u>676,045</u>	<u>676,045</u>	<u>676,045</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u>\$676,045</u>	<u>\$262,276</u>	<u>\$262,276</u>	<u>\$0</u>

See accompanying notes to the basic financial statements.

Gallia County
*Statement of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual (Budget Basis)
Board of Developmental Disabilities Fund
For the Year Ended December 31, 2012*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property Taxes	\$1,023,950	\$1,020,801	\$1,020,801	\$0
Intergovernmental	1,086,179	1,365,740	1,365,740	0
Charges for Services	415,600	423,088	423,088	0
Interest	0	9,830	9,830	0
Rent	65,000	65,229	65,229	0
Gifts and Donations	5,000	5,500	5,500	0
Other	3,550	8,991	8,991	0
<i>Total Revenues</i>	<u>2,599,279</u>	<u>2,899,179</u>	<u>2,899,179</u>	<u>0</u>
Expenditures:				
Current:				
Health	<u>2,569,897</u>	<u>2,569,409</u>	<u>2,569,409</u>	<u>0</u>
<i>Excess of Revenues Over Expenditures</i>	<u>29,382</u>	<u>329,770</u>	<u>329,770</u>	<u>0</u>
Other Financing Sources (Uses):				
Advances Out	(37,500)	(37,500)	(37,500)	0
Transfers In	68,000	0	0	0
Transfers Out	<u>(91,213)</u>	<u>(91,213)</u>	<u>(91,213)</u>	<u>0</u>
<i>Total Other Financing Sources (Uses)</i>	<u>(60,713)</u>	<u>(128,713)</u>	<u>(128,713)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(31,331)	201,057	201,057	0
<i>Fund Balance at Beginning of Year</i>	556,158	556,158	556,158	0
Prior Year Encumbrances Appropriated	<u>35,215</u>	<u>35,215</u>	<u>35,215</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u><u>\$560,042</u></u>	<u><u>\$792,430</u></u>	<u><u>\$792,430</u></u>	<u><u>\$0</u></u>

See accompanying notes to the basic financial statements.

Gallia County
Statement of Fund Net Position
Proprietary Funds
December 31, 2012

	Business-Type Activities	Governmental Activities
	Sewer	Internal Service
Assets:		
Current :		
Equity in Pooled Cash and Cash Equivalents	\$3,862,210	\$247,732
Accounts Receivable	106,637	0
Interfund Receivable	820	
Intergovernmental Receivable	100,000	0
<i>Total Current Assets</i>	<u>4,069,667</u>	<u>247,732</u>
Noncurrent:		
Nondepreciable Capital Assets	6,051,898	0
Depreciable Capital Assets, Net	4,824,213	0
<i>Total Noncurrent Assets</i>	<u>10,876,111</u>	<u>0</u>
<i>Total Assets</i>	<u>14,945,778</u>	<u>247,732</u>
Liabilities:		
Current:		
Accounts Payable	16,024	0
Contracts Payable	20,664	0
Retainage Payable	6,145	0
Accrued Wages Payable	4,257	0
Intergovernmental Payable	2,606	0
Interfund Payable	98,327	0
Accrued Interest Payable	62,750	0
General Obligation Bonds Payable	30,900	0
OPWC Loans Payable	5,750	0
OWDA Loans Payable	1,945,285	0
<i>Total Current Liabilities</i>	<u>2,192,708</u>	<u>0</u>
Long-Term:		
General Obligation Bonds Payable	1,633,300	0
OPWC Loans Payable	390,581	0
OWDA Loans Payable	1,359,600	0
Compensated Absences Payable	2,529	0
<i>Total Long-Term Liabilities</i>	<u>3,386,010</u>	<u>0</u>
<i>Total Liabilities</i>	<u>5,578,718</u>	<u>0</u>
Net Position:		
Net Investment in Capital Assets	5,510,695	0
Unrestricted	3,856,365	247,732
<i>Total Net Position</i>	<u>\$9,367,060</u>	<u>\$247,732</u>

See accompanying notes to the basic financial statements.

Gallia County
*Statement of Revenues, Expenses,
and Changes in Fund Net Position
Proprietary Funds
For the Year December 31, 2012*

	Business-Type Activities	Governmental Activities
	Sewer	Internal Service
Operating Revenues:		
Charges for Services	\$331,705	\$0
Other Operating Revenues	1,346	314,240
<i>Total Operating Revenues</i>	<u>333,051</u>	<u>314,240</u>
Operating Expenses:		
Salaries and Wages	72,468	333,026
Fringe Benefits	11,981	0
Contractual Services	196,322	0
Materials and Supplies	18,445	0
Depreciation	189,421	0
Other	14,326	0
<i>Total Operating Expenses</i>	<u>502,963</u>	<u>333,026</u>
<i>Operating Loss</i>	<u>(169,912)</u>	<u>(18,786)</u>
Non-Operating Revenues (Expenses):		
Interest Income	34,550	0
Insurance Recoveries	3,500,000	0
Interest and Fiscal Charges	(75,104)	0
<i>Total Non-Operating Revenues (Expenses)</i>	<u>3,459,446</u>	<u>0</u>
<i>Income before Contributions</i>	3,289,534	(18,786)
Capital Contributions	3,578	0
<i>Change in Net Position</i>	3,293,112	(18,786)
<i>Net Position at Beginning of Year</i>	<u>6,073,948</u>	<u>266,518</u>
<i>Net Position at End of Year</i>	<u>\$9,367,060</u>	<u>\$247,732</u>

See accompanying notes to the basic financial statements.

Gallia County
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2012

	Business-Type Activities	Governmental Activities
	Sewer	Internal Service
Increase (Decrease) in Cash and Cash Equivalents:		
Cash Flows from Operating Activities:		
Cash Received from Customers	\$335,175	\$0
Cash Received from Operating Receipts	0	314,240
Cash Payments for Employee Services and Benefits	(78,779)	(333,026)
Cash Payments to Suppliers for Goods and Services	(193,126)	0
Other Operating Revenues	526	0
Other Operating Expenses	(14,326)	0
	<u>49,470</u>	<u>(18,786)</u>
<i>Net Cash Provided by (Used for) Operating Activities</i>		
Cash Flows from Non-Capital Financing Activities:		
Insurance Recoveries	3,500,000	0
Advances In	33,440	0
Advances Out	(69,071)	0
	<u>3,464,369</u>	<u>0</u>
<i>Net Cash Provided by Non-Capital Financing Activities</i>		
Cash Flows from Investing Activities:		
Investment Earnings	34,550	0
	<u>34,550</u>	<u>0</u>
Cash Flows from Capital and Related Financing Activities:		
Acquisition of Capital Assets	(384,011)	0
Proceeds from OWDA Loans	393,881	0
Principal Paid on Debt	(98,308)	0
Interest Paid on Debt	(76,217)	0
Capital Contributions	48,031	0
	<u>(116,624)</u>	<u>0</u>
<i>Net Cash Used for Capital and Related Financing Activities</i>		
	3,431,765	(18,786)
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>		
	430,445	266,518
<i>Cash and Cash Equivalents at Beginning of Year</i>		
	\$3,862,210	\$247,732
<i>Cash and Cash Equivalents at End of Year</i>		
	<u>\$49,470</u>	<u>(\$18,786)</u>
Reconciliation of Operating Loss to Net Cash Provided by (Used for) Operating Activities:		
Operating Loss	(\$169,912)	(\$18,786)
<i>Adjustments:</i>		
Depreciation	189,421	0
<i>(Increase) Decrease in Assets:</i>		
Accounts Receivable	3,470	0
Interfund Receivable	(820)	0
<i>Increase (Decrease) in Liabilities:</i>		
Accounts Payable	6,522	0
Contracts Payable	15,300	0
Accrued Wages Payable	2,201	0
Intergovernmental Payable	2,606	0
Interfund Payable	(181)	0
Compensated Absences Payable	863	0
	<u>\$49,470</u>	<u>(\$18,786)</u>
<i>Net Cash Provided by (Used for) Operating Activities</i>		

See accompanying notes to the basic financial statements.

Gallia County
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
December 31, 2012

Assets:	
Equity in Pooled Cash and Cash Equivalents	\$3,284,600
Cash and Cash Equivalents in Segregated Accounts	600,235
Receivables:	
Intergovernmental	1,461,927
Accounts	130,920
Property Taxes	<u>26,516,750</u>
<i>Total Assets</i>	<u><u>\$31,994,432</u></u>
 Liabilities:	
Intergovernmental Payable	\$28,742,632
Undistributed Monies	2,979,677
Deposits Held and Due to Others	<u>272,123</u>
<i>Total Liabilities</i>	<u><u>\$31,994,432</u></u>

See accompanying notes to the basic financial statements.

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Gallia County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

NOTE 1 - REPORTING ENTITY

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

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

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

Discretely Presented Component Unit

The component unit column in the basic financial statements identifies the financial data of the County's component unit, Gallco Industries, Inc. It is 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 Developmental Disabilities, provides sheltered employment for developmentally disabled 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 developmentally disabled and handicapped adults of Gallia County, Gallco Industries, Inc. is reflected as a discretely presented component unit of Gallia County. Gallco Industries, Inc. operates on a calendar year basis. Complete financial statements of the component unit can be obtained from the offices of Gallco Industries, Inc., Post Office Box 14, Cheshire, Ohio 45620.

Gallia County

Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

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 Animal Welfare, Inc.

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

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

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

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

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

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

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

Gallia County

Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

The County is associated with the following organizations that are defined as jointly governed organizations, related organizations, or shared risk pools. These organizations are presented in Notes 21, 22, and 23 to the basic financial statements.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

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

Gallia County

Notes to the Basic Financial Statements For the Year Ended December 31, 2012

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

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

B. Fund Accounting

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

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

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

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

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

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

Gallia County

Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

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

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

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

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

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

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

C. Measurement Focus

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

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

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

Gallia County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

D. Basis of Accounting

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

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

Nonexchange transactions, in which the County receives value without directly giving equal value in return, include sales taxes, property taxes, grants, entitlements, and donations. On an accrual basis, revenue from sales taxes is recognized in the period in which the taxable sale takes place. Revenue from property taxes is recognized in the year for which the taxes are levied (see Note 8A). 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: sales tax (see Note 9), interest, federal and state grants and subsidies, state-levied locally shared taxes (including motor vehicle license fees and gasoline taxes), fees, and rentals.

Deferred Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the County, deferred outflows of resources include a deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the County, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2012, but which were levied to finance fiscal year 2013 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the County, unavailable revenue includes delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

Gallia County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

Property taxes for which there is an enforceable legal claim as of December 31, 2012, but which were levied to finance year 2013 operations, have been recorded as Property Taxes Not Levied to Finance Current Year Operations. Grants and entitlements received before eligibility requirements were met have been recorded as unearned revenue.

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

E. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the County Commissioners may appropriate. The appropriations resolution is the County Commissioners' authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the County Commissioners. The level of control has been established by the County Commissioners at the fund, function, and object level for the General Fund and 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 on the final amended certificate of estimated resources issued during 2012 upon which the final appropriations were based.

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

F. Cash and Cash Equivalents

To improve cash management, cash received by the County 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.

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

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

Gallia County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

Under existing Ohio statutes, all investment earnings are assigned to the General Fund unless statutorily required to be credited to a specific fund. Interest revenue is credited to the General Fund, the Motor Vehicle Gasoline Tax, Board of Developmental Disabilities, and Community Development Block Grant Special Revenue Funds, and Sewer Enterprise Fund. Interest revenue credited to the General Fund during 2012 amounted to \$257,766, which includes \$233,184 assigned from other County funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the County are considered to be cash equivalents. Investments with an initial maturity of more than three months not purchased from the pool are reported as investments and are reported at cost.

G. Inventory

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

H. Restricted Assets

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

I. Receivables and Payables

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

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

J. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2012, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

K. Interfund Balances

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

Gallia County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

L. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The County maintains a capitalization threshold of five thousand dollars, with the exception of infrastructure. The County maintains their capitalization threshold for additions to infrastructure as follows: \$50,000 for roads, bridges, and culverts. 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, infrastructure, and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Land Improvements	20 - 40 Years
Buildings and Improvements	10 - 40 Years
Furniture, Fixtures, and Equipment	5 - 30 Years
Vehicles	5 - 20 Years

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

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

Gallco Industries, Inc. depreciates vehicles for 8 years utilizing the straight-line method.

M. Capitalization of Interest

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

N. Compensated Absences

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

Gallia County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

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 five 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.

O. Accrued Liabilities and Long-term Obligations

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

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

P. Fund Balance

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

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The "not in spendable form" includes items that are not expected to be converted to cash. It also includes the long-term amount of loans and notes receivable, as well as property acquired for resale, unless the use of proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

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

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

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the County Commissioners. Those committed amounts cannot be used for any other purpose unless the Commission removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with

Gallia County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

appropriate due process. Constraints imposed on the use of committed amounts are imposed by County Commissioners, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints are not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

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

Unassigned Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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

Q. Net Position

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

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

R. Operating Revenues and Expenses

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

S. Internal Activity

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

Gallia County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

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.

T. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the County and that are either unusual in nature or infrequent in occurrence. The County did not have any extraordinary or special items in 2012.

U. 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 - CHANGE IN ACCOUNTING PRINCIPLES, RESTATEMENT OF PRIOR YEAR BALANCE, AND CHANGE IN COMPONENT UNIT

A. Changes in Accounting Principles

For 2012, the County has implemented Governmental Accounting Standard Board (GASB) Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements," Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements," Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position," Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions – an amendment of GASB Statement No. 53" Statement No. 65, "Items Previously Reported as Assets and Liabilities," and Statement No. 66, "Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62."

GASB Statement No. 60 improves financial reporting by addressing issues related to service concession arrangements, which are a type of public-private or public-public partnership. The implementation of this statement did not result in any change in the County's financial statements.

GASB Statement No. 62 incorporates into GASB's authoritative literature certain FASB and AICPA pronouncements issued on or before November 30, 1989. The implementation of this statement did not result in any change in the County's financial statements.

GASB Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related note disclosures. These changes were incorporated in the County's 2012 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 64 clarifies whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The implementation of this statement did not result in any change in the County's financial statements.

Gallia County
Notes to the Basic Financial Statements
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GASB Statement No. 65 properly classifies certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or recognizes certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). These changes were incorporated in the County's 2012 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 66 resolves conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and thereby enhance the usefulness of the financial reports. The implementation of this statement did not result in any change in the County's financial statements.

B. Restatement of Prior Year Balance

The County has restated capital assets, based on a change from the depreciation approach to the modified approach to account for the recording of their general infrastructure assets and the adoption of a new policy for reporting infrastructure.

	Governmental Activities
Net Position at December 31, 2011	\$43,686,208
Infrastructure	65,453,775
Restated Net Position at December 31, 2011	\$109,139,983

C. Gallia – Meigs Regional Airport

The Gallia – Meigs Regional Airport was previously presented as a discretely presented component unit. At December 31, 2011, the Gallia – Meigs Regional Airport had a net position of \$1,615,580 which consisted entirely of capital assets. During 2012, the Board of County Commissioners approved a motion to dissolve the Airport Authority Board with the responsibilities of the Airport Authority Board being assumed by the Board of County Commissioners. The basic financial statements present the \$1,615,580 in capital assets as a governmental activities capital contribution on the Statement of Activities.

NOTE 4 - FUND DEFICITS

The following funds had deficit fund balances as of December 31, 2012.

	Deficit Fund Balances
Special Revenue Funds:	
Job and Family Services	\$145,164
Dog and Kennel	3,934
Capital Projects Fund:	
Airport	33,708
	\$182,806

These deficits resulted from payables recorded in accordance with Generally Accepted Accounting Principles. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

Gallia County
Notes to the Basic Financial Statements
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NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than restricted, committed, or assigned fund balance (GAAP basis).
4. Prepaids and unrecorded cash are reported on the balance sheet (GAAP basis), but not on the budgetary basis. These amounts are included as revenues on the GAAP basis operating statement.
5. Cash that is held by the agency funds on behalf of County funds on a budget basis are allocated and reported on the balance sheet (GAAP basis) in the appropriate County fund.
6. Advances in and advances out are operating transactions (budget) as opposed to balance sheet transactions (cash).

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

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Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

Net Change in Fund Balance
 General and Major Special Revenue Funds

	General	Motor Vehicle Gasoline Tax	Job and Family Services	Board of Developmental Disabilities
GAAP Basis	\$769,142	\$435,173	(\$138,070)	\$307,944
Revenue Accruals	(78,589)	(239,932)	(418,492)	(1,886)
Beginning of the Year:				
Fiscal Agent	0	0	0	303,845
Unrecorded Cash	36,380	137	0	0
Segregated Accounts	14,817	0	0	1,770
Prepaid Items	59,705	0	0	0
Agency Fund Cash Allocation	72,960	0	0	32,707
End of the Year:				
Fiscal Agent	0	0	0	(350,954)
Unrecorded Cash	(50,538)	(38)	0	(3,746)
Segregated Accounts	(15,135)	0	0	(5,888)
Prepaid Items	(59,683)	0	0	0
Agency Fund Cash Allocation	(137,720)	0	0	(62,108)
Expenditure Accruals	(3,324)	69,097	142,793	61,242
Principal Retirement	4,149	0	0	0
Interest and Fiscal Charges	4,395	0	0	0
Advances In	149,511	0	0	0
Advances Out	(36,548)	0	0	(37,500)
Encumbrances	(241,445)	(21,797)	0	(44,369)
Budget Basis	<u>\$488,077</u>	<u>\$242,640</u>	<u>(\$413,769)</u>	<u>\$201,057</u>

NOTE 6 - FUND BALANCES

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

Gallia County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

Fund Balances	General Fund	Motor Vehicle Gasoline Tax	Job and Family Services	Board of Development Disabilities	Other Governmental Funds	Totals
Nonspendable:						
Prepays	\$59,683	\$0	\$0	\$0	\$0	\$59,683
Unclaimed Monies	24,430	0	0	0	0	24,430
Loans	0	0	0	0	836,236	836,236
<i>Total Nonspendable</i>	<u>84,113</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>836,236</u>	<u>920,349</u>
Restricted for:						
Public Works	0	1,875,779	0	0	0	1,875,779
Public Safety	0	0	0	0	555,205	555,205
Courts	0	0	0	0	830,971	830,971
Real Estate Assessment	0	0	0	0	105,779	105,779
Board of Developmental Disabilities	0	0	0	1,050,574	0	1,050,574
Community Development	0	0	0	0	197,583	197,583
Other Purposes	0	0	0	0	2,289	2,289
Childrens Services	0	0	0	0	111,341	111,341
Child Support	0	0	0	0	262,485	262,485
Debt Service	0	0	0	0	58,016	58,016
<i>Total Restricted</i>	<u>0</u>	<u>1,875,779</u>	<u>0</u>	<u>1,050,574</u>	<u>2,123,669</u>	<u>5,050,022</u>
Committed to:						
Public Safety	27,148	0	0	0	33,915	61,063
Public Works	0	0	0	0	126,464	126,464
<i>Total Committed</i>	<u>27,148</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>160,379</u>	<u>187,527</u>
Assigned to:						
Other Purposes	9,326	0	0	0	0	9,326
Unassigned:	1,804,110	0	(145,164)	0	(37,642)	1,621,304
<i>Total Fund Balances</i>	<u>\$1,924,697</u>	<u>\$1,875,779</u>	<u>(\$145,164)</u>	<u>\$1,050,574</u>	<u>\$3,082,642</u>	<u>\$7,788,528</u>

NOTE 7 - DEPOSITS

PRIMARY GOVERNMENT

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

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

Gallia County
Notes to the Basic Financial Statements
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1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations describe in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments 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 simultaneously exchange similar securities or cash, equal value for equal value;
9. Up to twenty-five percent of the County's average portfolio in either of the following:
 - a. commercial paper notes in entities incorporated under the laws of Ohio or any other State that have assets exceeding five hundred million dollars rated at the time of purchase, which are rated in the highest qualification established by two nationally recognized standard rating services, which do not exceed ten percent of the value of the outstanding commercial paper of the issuing corporation and which mature within 270 days after purchase.
 - b. bankers acceptances eligible for purchase by the federal reserve system and which mature within 180 days after purchase;
10. Fifteen percent of the County's average portfolio in notes issued by U.S. corporations or by depository institutions that are doing business under authority granted by the U.S. provided that the notes are rated in the second highest or higher category by at least two nationally recognized standard rating services at the time of purchase and the notes mature within two years from the date of purchase;
11. No-load money market mutual funds rated in the highest category at the time of purchase by at least one nationally recognized standard rating service consisting exclusively of obligations guaranteed by the United States, securities issued by a federal government agency or instrumentality, and/or highly rated commercial paper; and,

Gallia County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

12. One percent of the County's average portfolio in debt interests rated at the time of purchase in the three highest categories by two nationally recognized standard rating services and issued by foreign nations diplomatically recognized by the United States government.

Repurchase agreements, investments in derivatives, and investments in stripped principal or interest obligations that are not issued or guaranteed by the United States, are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Other than corporate notes, commercial paper, and bankers' acceptances, an investment must mature within five years from the date of settlement unless matched to a specific obligation or debt of the County. Investments must be purchased with the expectation that they will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Cash on Hand At year end, the County had \$295,200 in undeposited cash on hand which is included as a part of "Equity in Pooled Cash and Cash Equivalents".

Deposits Custodial credit risk for deposits is the risk that in the event of bank failure, the County will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, the carrying value of the County's deposits was \$13,654,189 and the bank balance was \$14,358,326. Of the bank balance \$907,993 was covered by Federal depository insurance and 13,450,333 was exposed to custodial credit risk because it was uninsured and uncollateralized. This does not include \$350,954 in Cash and Cash Equivalents with fiscal agents which is held by SOCOG which cannot be disclosed by risk because it is co-mingled with other Counties' monies.

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

COMPONENT UNIT

At fiscal year end and at numerous times during the year, Gallco, Inc.'s bank balance of \$161,220 was covered by Federal Deposit Insurance Corporation. Gallco had no investments at fiscal year end. There are no statutory guidelines regarding the deposit and investment of funds by the not-for-profit corporation.

NOTE 8 - RECEIVABLES

Receivables at December 31, 2012, consisted of property taxes, sales taxes, accounts (billings for user fees including unbilled utility services), loans, intergovernmental receivables arising from entitlements and shared revenues, and interfund. Loans receivable of \$836,236 are reported in the Community Development Block Grant Special Revenue Fund and represent principal owed to the County relating to the sale of a speculative building that was sold to a local manufacturing company in 2011 and financed by the County. The amount not scheduled for collection during the subsequent year is \$791,237. All receivables except property taxes and portion of the aforementioned loan are expected to be received within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

Gallia County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

A. Property Taxes

Property taxes include amounts levied against all real and public utility property located in the County. Property tax revenue received during 2012 for real and public utility property taxes represents collections of 2011 taxes.

2012 real property taxes were levied after October 1, 2012, on the assessed value as of January 1, 2012, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2012 real property taxes are collected in and intended to finance 2013.

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

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2012 public utility property taxes which became a lien December 31, 2011, are levied after October 1, 2012, and are collected in 2013 with real property taxes.

The full tax rate for all County operations for the year ended December 31, 2012, was \$8.00 per \$1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2012 property tax receipts were based are as follows:

Real Property	\$490,833,800
Public Utility Tangible Personal Property	<u>229,799,340</u>
Total Assessed Value	<u><u>\$720,633,140</u></u>

The County Treasurer collects property taxes on behalf of all taxing districts in the County. The County Auditor periodically remits to the taxing districts their portion of the taxes collected. The collection and distribution of taxes for all subdivisions within the County, excluding the County itself, is accounted for through agency funds. The amount of the County's tax collections is accounted for within the applicable funds. Property taxes receivable represents real and public utility taxes and outstanding delinquencies which were measurable as of December 31, 2012, and for which there was an enforceable legal claim. In governmental funds, the portion of the receivable not levied to finance 2012 operations is offset to deferred inflows of resources – property taxes. On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on the modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

B. Loans Receivable

The Community Development Block Grant Special Revenue Fund reflects a loan receivable of \$836,236. This amount is for the principal owed to the County for State Industrial Site Improvement Fund Grant monies and local monies used to construct a speculative building that was sold to a local manufacturing company and financed by the County. The loan bears no interest. This loan is to be repaid over a 20 year period. The amount scheduled for collection during the subsequent year is \$44,999.

Gallia County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

C. Intergovernmental Receivables

A summary of intergovernmental receivables follows:

Governmental Activities:	
Local Government	\$165,507
Estate Tax	204
Casino Tax	157,092
Public Defender Reimbursements	25,480
Homestead and Rollback	149,646
Gasoline Tax	1,135,160
Motor Vehicle License Tax	726,820
Children Services Reimbursement	90,122
CSEA Reimbursements	122,405
JFS Reimbursements	159,307
Work Release Center Reimbursements	17,344
Board of DD Reimbursements	45,714
Juvenile Court Reimbursements	19,653
Federal Emergency Management Agency	775,858
ODNR Forrest and Floods Grant	26,867
Emergency Management Performance Grant	4,387
State Homeland Security Grant	1,275
Youth Services Grant	105,376
VOCA - Victims Assistance Grant	42,867
Board of Developmental Disabilities Subsidy	83,161
Special Education Part B - IDEA	22,039
Early Childhood Special Education	9,637
Title XX	21,970
School Lunch Reimbursement	3,094
S18 Special Education Grant	277,875
Medicaid Reimbursements	93,287
Drug Use Prevention Program Grant	8,288
High Visibility Enforcement Grant	511
Domestic Violence Enforcement Grant	314
Port Security Grant	155,112
Federal Aviation Administration Grant	118,213
Highway Planning and Construction Assistance	168,283
Crash Data Study Grant	1,240
Community Housing Improvement Program	399,423
Community Development Formula Grant	135,000
Community Based Corrections Program Grant	35,050
Hazard Mitigation Grant	8,700
Miscellaneous	83,841
Total Governmental Activities	5,396,122
Business-Type Activities:	
Sewer Program Grants	100,000
Total Business-Type Activities	100,000
Total Intergovernmental Receivables	\$5,496,122

Gallia County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

NOTE 9 - PERMISSIVE SALES AND USE TAX

On November 17, 1981, the County Commissioners adopted by resolution a one-half percent tax on all retail sales made in the County and on the storage, use, or consumption in the County of tangible personal property, including automobiles, not subject to the sales tax. On March 5, 1987, the County Commissioners adopted by resolution a proposal for an additional one-half percent tax as allowed by Sections 5705.026 and 5705.023, Revised Code, which was approved by the voters at a special election held on May 5, 1987. On August 18, 1994, the County Commissioners adopted by resolution a proposal for an additional one-quarter of one percent tax for the implementation of a county-wide 9-1-1 system, as allowed by Sections 5739.026 and 5741.023 of the Revised Code, which was voted on and passed by the voters on November 8, 1994. The tax for the 9-1-1 system is approved for a period of five years. The most recent renewal was approved on November 16, 2009.

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

In 2012, the General Fund received \$3,561,827 and the 9-1-1 Special Revenue Fund received \$891,293 in sales and use tax revenue. A receivable is recognized at year end for amounts that will be received from sales which occurred during 2012.

Gallia County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

NOTE 10 - CAPITAL ASSETS

PRIMARY GOVERNMENT

Capital asset activity for the year ended December 31, 2012, was as follows:

	Balance at 12/31/11*	Additions	Deductions	Balance at 12/31/12
Governmental Activities:				
Capital Assets not being Depreciated:				
Land	\$648,565	\$0	\$0	\$648,565
Infrastructure	91,796,432	1,605,200	185,500	93,216,132
Construction in Progress	0	533,607	0	533,607
Total Capital Assets not being Depreciated	92,444,997	2,138,807	185,500	94,398,304
Depreciable Capital Assets:				
Land Improvements	130,657	0	0	130,657
Buildings and Improvements	10,753,940	2,111,039	0	12,864,979
Furniture, Fixtures, and Equipment	5,605,828	186,879	0	5,792,707
Vehicles	3,126,251	46,087	0	3,172,338
Total Depreciable Capital Assets	19,616,676	2,344,005	0	21,960,681
Less Accumulated Depreciation:				
Land Improvements	(85,738)	(4,138)	0	(89,876)
Buildings and Improvements	(4,633,912)	(291,394)	0	(4,925,306)
Furniture, Fixtures, and Equipment	(3,761,347)	(321,672)	0	(4,083,019)
Vehicles	(1,976,781)	(253,832)	0	(2,230,613)
Total Accumulated Depreciation	(10,457,778)	(871,036) ^	0	(11,328,814)
Total Capital Assets being Depreciated, Net	9,158,898	1,472,969	0	10,631,867
Governmental Activities Capital Assets, Net	\$101,603,895	\$3,611,776	\$185,500	\$105,030,171

* As Restated, see Note 3B.

During 2012, the governing board of the Gallia-Meigs Regional Airport dissolved, contributing all of their capital assets to the County Commissioners.

Gallia County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

^ Depreciation expense was charged to governmental activities as follows:

General Government:	
Legislative and Executive	\$136,560
Judicial	10,422
Public Safety	188,479
Public Works	238,710
Economic Development and Assistance	53,270
Health:	
Board of Develomental Disabilities	108,871
Other Health	55,377
Human Services:	
Job and Family Services	61,934
Other Human Services	<u>17,413</u>
Total Depreciation Expense	<u><u>\$871,036</u></u>

	Balance at 12/31/11	Additions	Deductions	Balance at 12/31/12
Business-Type Activities:				
Capital Assets not being Depreciated:				
Construction in Progress	<u>\$5,738,206</u>	<u>\$313,692</u>	<u>\$0</u>	<u>\$6,051,898</u>
Depreciable Capital Assets:				
Buildings and Improvements	7,384,848	0	0	7,384,848
Furniture, Fixtures, and Equipment	31,369	0	0	31,369
Vehicles	<u>24,438</u>	<u>0</u>	<u>0</u>	<u>24,438</u>
Total Capital Assets being Depreciated	<u>7,440,655</u>	<u>0</u>	<u>0</u>	<u>7,440,655</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(2,400,734)	(184,968)	0	(2,585,702)
Furniture, Fixtures, and Equipment	(20,177)	(1,399)	0	(21,576)
Vehicles	<u>(6,110)</u>	<u>(3,054)</u>	<u>0</u>	<u>(9,164)</u>
Total Accumulated Depreciation	<u>(2,427,021)</u>	<u>(189,421)</u>	<u>0</u>	<u>(2,616,442)</u>
Total Capital Assets being Depreciated, Net	<u>5,013,634</u>	<u>(189,421)</u>	<u>0</u>	<u>4,824,213</u>
Business-Type Activities Capital Assets, Net	<u><u>\$10,751,840</u></u>	<u><u>\$124,271</u></u>	<u><u>\$0</u></u>	<u><u>\$10,876,111</u></u>

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

COMPONENT UNIT

Capital asset activity for the Gallco Industries, Inc. for the year ended December 31, 2012, was as follows:

Gallia County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

	Balance at 12/31/11	Additions	Deductions	Balance at 12/31/12
Gallco Industries, Inc.:				
Depreciable Capital Assets:				
Vehicles	\$252,592	\$0	\$0	\$252,592
Less Accumulated Depreciation:				
Vehicles	(153,880)	(20,754)	0	(174,634)
Total Gallco Industries, Inc. Capital Assets, Net	\$98,712	(\$20,754)	\$0	\$77,958

NOTE 11 - RISK MANAGEMENT

PRIMARY GOVERNMENT

A. Property and Liability

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2012, the County contracted with the County Risk Sharing Authority, Inc. (CORSA), an insurance purchasing pool (see Note 23), for liability, auto, and crime insurance. CORSA, a non-profit corporation sponsored by the County Commissioners of Ohio, was created to provide affordable liability, property, casualty, and crime insurance coverage for its members and was established May 12, 1987. Coverage provided by the program and applicable deductibles are as follows:

Property	Deductible	Limits of Coverage
Real Property	\$2,500	\$60,337,376
General Liability	2,500	1,000,000 Per Occurrence
Law Enforcement	2,500	1,000,000 Per Occurrence
Equipment Breakdown	2,500	100,000,000
Medical Expense:	0	5,000/50,000
Employer's Liability (Stop Gap)	2,500	1,000,000 Per Occurrence
Electronic Equipment/Media Coverage:		
Electronic Media	2,500	766,450 Per Occurrence
Extra Expense	2,500	1,000,000 Per Occurrence
Crime Coverage:		
Theft, Disappearance, Destruction	2,500	1,000,000 Per Occurrence
Employee Dishonesty	2,500	1,000,000 Per Occurrence
Forgery and Alteration	2,500	1,000,000 Per Occurrence
Computer Fraud	2,500	500,000 Per Occurrence
Automobile	2,500	1,000,000 Per Occurrence

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

Gallia County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

B. Workers' Compensation

For 2012, the County participated in the County Commissioners Association of Ohio Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool (see Note 23B). The Plan is intended to achieve lower workers' compensation rates while establishing safer working conditions and environments for the participants. The workers' compensation experience of the participating Counties is calculated as one experience and a common premium rate is applied to all participants in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. In order to allocate the savings derived by formation of the Plan, and to maximize the number of participants in the Plan, the Plan's executive committee annually calculates the total savings which accrued to the Plan through its formation. This savings is then compared to the overall savings percentage of the Plan. The Plan's executive committee then collects rate contributions from or pays rate equalization rebates to the various participants. Participation in the Plan is limited to Counties that can meet the Plan's selection criteria. The firm of Gates McDonald, Inc. provides administrative, cost control and actuarial services to the Plan. Each year, the County pays an enrollment fee to the Plan to cover the costs of administering the program.

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

The County pays all elected officials bonds by State statute.

C. Medical Expense Reimbursement Plan

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

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

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

COMPONENT UNIT

Gallco Industries, Inc. have obtained commercial insurance for property, general liability, and public employee dishonesty.

Gallia County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

NOTE 12 - DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System

Plan Description – The County participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost-of-living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units and 18.1 percent of covered payroll for law enforcement and public safety employer units. Member contribution rates, as set forth in the Ohio Revised Code, are not to exceed 10 percent of covered payroll for members in State and local divisions and 12 percent for law enforcement and public safety members. For the year ended December 31, 2012, members in state and local divisions contributed 10 percent of covered payroll while public safety and law enforcement members contributed 11.5 percent and 12.1 percent, respectively. Effective January 1, 2013, the member contribution rates for public safety and law enforcement increased to 12 percent and 12.6 percent, respectively. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan. For 2012, member and employer contribution rates were consistent across all three plans.

The County's 2012 contribution rate was 14.0 percent, except for those plan members in law enforcement or public safety, for whom the County's contribution was 18.10 percent of covered payroll. The portion of employer contributions used to fund pension benefits is net of post-employment health care benefits. The portion of employer contribution allocated to health care for members in the Traditional Plan was 4.00 percent for 2012. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05 percent for 2012. Employer contribution rates are actuarially determined.

The County's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2012, 2011, and 2010 were \$1,063,432, \$1,216,290, and \$1,540,742, respectively. For 2012, 90.5 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2011 and 2010. Contributions to the Member-Directed Plan for 2012 were \$35,169 made by the County and \$25,121 made by plan members.

Gallia County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

B. State Teachers Retirement System

Plan Description – Certified teachers, employed by the school for developmental disabilities, participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that can be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, 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 multiplied by a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent 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 member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 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. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50. Benefits are established by Ohio Revised Code Chapter 3307.

A DB or Combined Plan member with five or more years of 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 become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For the fiscal year ended June 30, 2012, plan members were required to contribute 10 percent of their annual covered salaries. The County was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For year 2011, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent 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 fiscal years ended December 31, 2012, 2011, and 2010, were \$74,562, \$71,705, and \$81,253, respectively. For 2012, 96.25 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2011 and 2010. Contributions to the DC and Combined plans for 2012 were \$8,200 made by the County and \$5,857 made by the plan members.

NOTE 13 - POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

Plan Description – Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan—a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan—a defined contribution plan; and the Combined Plan—a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

Gallia County

Notes to the Basic Financial Statements For the Year Ended December 31, 2012

OPERS maintains a cost-sharing multiple-employer defined benefit post-employment health care plan for qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. The plan includes a medical plan, prescription drug program and Medicare Part B premium reimbursement.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not mandate, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy – The post-employment health care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2012, state and local employers contributed at a rate of 14.0 percent of covered payroll, and public safety and law enforcement employers contributed at 18.10 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code.

Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4.0 percent for 2012. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05 percent for 2012. Effective January 1, 2013, the portion of employer contributions allocated to healthcare was lowered to 1 percent for both plans, as recommended by the OPERS Actuary.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment health care plan.

The County's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2012, 2011, and 2010 were \$433,639, \$507,714, and \$584,707, respectively. For 2012, 90.5 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2011 and 2010.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

B. State Teachers Retirement System

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

Gallia County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The County's contributions for health care for the years ended December 31, 2012, 2011, and 2010, were \$5,736, \$5,516, and \$5,804, respectively. For 2012, 96.25 percent has been contributed. The full amount has been contributed for 2011 and 2010.

NOTE 14 - OTHER EMPLOYER BENEFITS

A. Deferred Compensation Plan

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

B. Compensated Absences

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

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

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

C. Insurance Benefits

In 2012, the County contracted with United Healthcare to provide all employees with \$15,000 each in life and accidental death and dismemberment insurance.

Gallia County

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2012*

The County provides comprehensive major medical and dental insurance through United Healthcare and vision insurance through VSP for all employees except those of the Engineer's office. Monthly premiums are \$601.30 for single coverage and \$1,583.36 for family coverage. The County pays \$526.14 of the premiums for single plans and the County's employees pay the remaining balances. The County pays \$1,345.86 of the premiums for employees participating in the family plan with the remainder being paid by the employee. For the Engineer's office, the County pays \$517.12 for single coverage and the employee pays the remaining balance. For family coverage the County pays \$1,361.69 and the Engineer employees pay the remaining balance.

NOTE 15 - SIGNIFICANT COMMITMENTS

A. Contractual Commitments

As of December 31, 2012, the County had a contractual purchase commitment as follows:

<u>Project</u>	<u>Fund</u>	<u>Contract Amount</u>	<u>Amount Expended</u>	<u>Balance at 12/31/2012</u>
Governmental Activities:				
Property Appraisal	Real Estate Assessment	\$36,340	\$0	\$36,340
Imagery Project	Real Estate Assessment	169,980	93,819	76,161
Fuel Farm	Aiprort	630,529	533,607	96,922
County Road 68 Peniel Road	MVGT	207,051	154,530	52,521
Symmes Creek Slip Repair	MVGT	166,443	0	166,443
Total Governmental Activities		<u>1,210,343</u>	<u>781,956</u>	<u>428,387</u>
Business-Type Activities:				
Green Sewer Improvements	Sewer	1,335,941	396,271	939,670
Tara Estates Rehabilitation	Sewer	163,553	122,894	40,659
Kanauga/Addison Sewer Improvements	Sewer	7,384,893	5,181,516	2,203,377
Total Business-Type Activities		<u>8,884,387</u>	<u>5,700,681</u>	<u>3,183,706</u>
Total Contractual Commitments		<u>\$10,094,730</u>	<u>\$6,482,637</u>	<u>\$3,612,093</u>

B. Encumbrances

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

Governmental Funds	
General Fund	\$241,445
Motor Vehicle Gasoline Tax	21,797
Board of Developmental Disabilities	44,369
Nonmajor Governmental Funds	<u>52,396</u>
Total Governmental Funds	<u>360,007</u>
Enterprise Fund	
Sewer Fund	<u>4,049</u>
Total	<u>\$364,056</u>

Gallia County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

NOTE 16 - RELATED PARTY TRANSACTIONS

Gallco Industries, Inc., a discretely presented component unit of Gallia County, received contributions from the County for facilities, certain equipment, transportation, and salaries for administration, implementation, and supervision of its program. These contributions are reflected as operating revenues and operating expenses at cost or fair market value, as applicable, in the Basic Financial Statements in the amount of \$73,279.

NOTE 17 - FOOD STAMPS

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

NOTE 18 - CONTINGENT LIABILITIES

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

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

NOTE 19 - INTERFUND TRANSFERS AND BALANCES

Interfund balances, as of December 31, 2012, consist of the following individual interfund receivables and payables:

Interfund Payable	<u>Interfund Receivable</u>						Total
	<u>Major Funds</u>						
	General	Motor Vehicle Gasoline Tax	Job and Family Services	Board of Developmental Disabilities	Other Governmental Funds	Sewer	
Major Funds:							
General	\$0	\$4,772	\$0	\$0	\$0	\$0	\$4,772
Motor Vehicle							
Gasoline Tax	4,853	0	0	0	932	820	6,605
Job and Family							
Services	22,007	0	0	0	55,264	0	77,271
Other Governmental							
Funds	4,214	0	2,294	1,057	89,947	0	97,512
Sewer	98,327	0	0	0	0	0	98,327
	<u>\$129,401</u>	<u>\$4,772</u>	<u>\$2,294</u>	<u>\$1,057</u>	<u>\$ 146,143</u>	<u>\$ 820</u>	<u>\$284,487</u>

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

Gallia County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

Interfund transfers for the year ended December 31, 2012, consisted of the following:

Transfer Out	Transfer In		Total
	Major		
	Job and Family Services	Other Nonmajor Governmental	
Major Funds:			
General Fund	\$98,488	\$767,200	\$865,688
Motor Vehicle Gasoline Tax	0	56,900	56,900
Board of Developmental Disabilities	0	91,213	91,213
Other Nonmajor Governmental	0	40,996	40,996
Total All Funds	\$98,488	\$956,309	\$1,054,797

Transfers were used to move revenues from the fund that Statute or budget requires to collect them to the fund that Statute or budget requires to expend them and to use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 20 - CAPITAL LEASES - LESSEE DISCLOSURE

In prior years, the County has entered into agreements to lease copiers and mail equipment. Such agreements are, in substance, lease purchases and are reflected as capital lease obligations in the financial statements. Capital lease payments are reflected as debt service in the financial statements for the Governmental Funds. The deductions to the capital leases reported below include \$6,901 of debt service principal. Capitalized leased assets representing equipment with a gross amount of \$43,067 are reflected net of accumulated depreciation for a book value of \$12,572 as of December 31, 2012. The capital lease obligations reflected below presents the present value of the net future minimum lease payments on all capital leases.

Future minimum lease payments through 2016 are as follows:

Fiscal Year	Amount
2013	\$12,142
2014	12,142
2015	6,446
2016	2,998
Total Minimum Lease Payments	33,728
Less: Amount Representing Interest	(6,556)
Present Value of Net Minimum Lease Payments	\$27,172

Gallia County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

NOTE 21 - JOINTLY GOVERNED ORGANIZATIONS

A. Joint Solid Waste Management District

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

The District is governed and operated through three groups. A twelve member Board of Directors, comprised of the three commissioners from each county, is responsible for the District's financial matters. Financial records are maintained by the District. The District's sole revenue source is a waste disposal fee for in-district and out-of-district waste. A twenty-five member Policy Committee, composed of six members from each county and one at-large member appointed by the Policy Committee, is responsible for preparing the solid waste management plan of the District in conjunction with a Technical Advisory Council whose members are appointed by the Policy Committee. Each participating County's influence is limited to the numbers of members each appoints to the Board. Continued existence of the District is not dependent upon the County's continued participation, no equity interest exists, and no debt is outstanding. The County made no contributions to the District in 2012.

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

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

All of the Board's revenue is derived from State and Federal grants awarded to the multi-county Board. Gallia County serves as fiscal agent for the Board and it is presented as an Agency Fund. Continued existence of the ADAMH is not dependent upon the County's continued participation, no debt exists, and the County does not have an equity interest in the Board. During 2012, the County made no in payments to the Board.

C. Gallia-Jackson-Meigs Counties Cluster

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

Gallia County
Notes to the Basic Financial Statements
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D. Area Agency on Aging, District 7, Inc.

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

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

The Ohio Valley Resource Conservation and Development Area, Inc. is a jointly governed organization that is operated as a non-profit corporation. The Ohio Valley Resource Conservation and Development Area, Inc. was created to aid regional planning to participating counties. Jackson County, along with Ross, Vinton, Highland, Gallia, Brown, Adams, Pike, Scioto, and Lawrence Counties each appoint three members to the thirty member Council. The Council selects an administrator to oversee operations. In 2012, the County made contributions of \$750 to the Ohio Valley Resource Conservation and Development Area, Inc.

F. Southeastern Ohio Corrections Commission

The Southeastern Ohio Corrections Commission was formed for the purpose of planning to build a community jail through state funding. The Commission consists of Gallia, Jackson, and Meigs Counties. The state funding never materialized, but the Commission has remained together in the case there would be any new grants to apply for in the future. The Commission consists of nine members which included the President of the Commissioners, the Common Pleas Judge, and the Sheriff from each county. The Commission's fiscal agent will be the County Auditor of the County in which the jail is constructed. The County made no contributions to the Commission in 2012, and the Commission is not dependent upon the County's continued participation.

G. Gallia-Meigs Community Action Agency

The Gallia-Meigs Community Action Agency (the Agency) is a non-profit corporation organized to plan, conduct and coordinate programs designed to combat social and economic problems and to help eliminate conditions of poverty within Gallia and Meigs Counties. The agency is governed by an eighteen member board which consists of three commissioners from each county, three business owners from each county, and three low income individuals elected by each county. The three business owners are nominated by other local business owners and the three low income individuals are nominated by local town council meetings. The Agency received federal and state monies which are applied for and received by, and in the name of, the Board of Directors. The Gallia County Commissioners apply for the Community Housing Improvement Program Grant and the HOME Grant which are administered implemented by the Agency. The County is the fiscal agent for the grant, but the grants are used by the Agency to improve low income family housing in Gallia County. The Agency contracts for expenses that relate to the grants and then the County Commissioners issue the payments. The Board of County Commissioners exercises total control of the budgeting, appropriation, contracting and management. Continued existence of the Agency is not dependent upon the County's continued participation, nor does the County have an equity interest in the Agency. The Agency is not accumulating significant financial resources and is not experiencing fiscal distress that may cause an additional financial benefit to or burden on the County. In 2012, the County paid \$252,884 to the Agency for services provided to the County.

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

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

I. Ohio Valley Regional Development Commission

The Ohio Valley Regional Development Commission (the Commission) is a jointly governed organization that serves a twelve county economic development planning district in southern Ohio. The Commission was formed to influence favorably the future economic, physical and social development of Adams, Brown, Clermont, Fayette, Gallia, Highland, Jackson, Lawrence, Pike, Ross, Scioto, and Vinton Counties. Membership is comprised of elected and appointed county, municipal, and township officials or their officially appointed designees, as well as members of the private sector, community action agencies and regional planning commissions. The Commission is not dependent upon Gallia County for its continued existence. In 2012, the County paid \$5,259 to the Ohio Valley Regional Development Commission for membership.

J. Southern Ohio Council of Governments

The County is a member of the Southern Ohio Council of Governments (the "Council"), which is a jointly governed organization created under Ohio Revised Code Section 167.01. The governing body consists of a thirteen member board with each participating County represented by its Director of its Board of Mental Retardation and Developmental Disabilities (MRDD). Member counties include: Adams, Athens, Brown, Fayette, Gallia, Highland, Jackson, Lawrence, Pickaway, Pike, Ross, Scioto, and Vinton Counties. The Council acts as fiscal agent for the Gallia County MRDD's supportive living program monies. As of December 31, 2012, the County had a \$350,954 balance on hand with the Council. These monies are recorded as "Cash and Cash Equivalents with Fiscal Agents" on the County's financial statements. Financial statements can be obtained from the Council at 43 N. Paint St., Chillicothe, Ohio 45601.

NOTE 22 - RELATED ORGANIZATIONS

A. O.O. McIntyre Park District

The County Probate Judge is responsible for appointing the three-member board of the O.O. McIntyre Park District. Removal of the members requires due process. The County has no ability to impose its will on the organization nor is a benefit/burden relationship exist. The Park District has a one-half mill property tax that is collected by Gallia County and then transferred into the Park District Agency Fund. In addition, the Park District receives one percent of the County's share of Undivided Local Government Revenue Assistance and State income taxes. These items totaled \$8,079 in 2012. The Park District is its own budgeting and taxing authority and has no outstanding debt. The County Auditor serves as the fiscal agent for the Park District; therefore, the financial activity is reflected in the Park District Agency Fund.

Gallia County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

B. Bossard Memorial Library

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

C. Gallia Metropolitan Housing Authority

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

NOTE 23 - SHARED RISK POOLS

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

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

Each member county has one vote on all matters requiring a vote, to be cast by a designated representative. The affairs of the Corporation are managed by an elected board of not more than nine trustees. Only county commissioners of member counties are eligible to serve on the board. No county may have more than one representative on the board at any time. Each member county's control over the budgeting and financing of CORSA is limited to its voting authority and any representation it may have on the board of trustees. CORSA has issued certificates of participation in order to provide adequate cash reserves. The certificates are secured by the member counties' obligations to make coverage payments to CORSA. The participating counties have no responsibility for the payment of the certificates. The County does not have an equity interest in or a financial responsibility for CORSA. Any additional premium or contribution amounts and estimates of losses are not reasonably determinable. The County's payment for insurance to CORSA in 2012 was \$179,048.

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

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

Gallia County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

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

NOTE 24 - DECLINING MORTGAGE LOANS

Gallia County administers a loan program with funds provided by the U.S. Department of Housing and Urban Development, through the Ohio Department of Development, Office of Housing and Community Partnerships. The purpose of this program is to provide loans to low and moderate income families for home improvements. Loans are provided as declining mortgage loans with the intent that they do not have to repay 85% of the loan (85% of the loan is released at the end of either a five or ten year period), unless they would sell the residence before the five or ten year period ended. The remaining 15 percent would remain as a mortgage to the property until such time as the owner either pays it off or sells the property. When the owner repays the remaining 15 percent, these monies are deposited into the County's Housing Program Income Fund and then used as a match to current Home Investment Partnership Program Grants. As of December 31, 2012, the total amount of loans outstanding was \$168,409. Due to the nature of these loans, they do not constitute a receivable or pledge and the loans accordingly have not been reported in the accompanying basic financial statements.

NOTE 25 - LONG-TERM OBLIGATIONS

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

	Principal Outstanding 12/31/11	Additions	Deductions	Principal Outstanding 12/31/12	Amounts Due in One Year
Governmental Activities:					
General Obligation Bonds:					
1998 Solid Waste Facility - 4.95%	\$30,000	\$0	\$30,000	\$0	\$0
2006 Early Childhood and Family Center - 4.45%	1,359,513	0	30,715	1,328,798	32,081
2009 EMS Station - 3.99%	138,177	0	4,001	134,176	4,178
2010 Speculative Building - 4.08%	223,917	0	13,331	210,586	13,908
2010 Airport Hangers - 4.34%	268,693	0	6,580	262,113	6,866
2011 Davis Lot Land - 4.50%	160,000	0	5,100	154,900	5,330
2012 JFS Building - 3.375%	0	744,000	0	744,000	19,400
Total General Obligation Bonds	2,180,300	744,000	89,727	2,834,573	81,763
2008 Rescue Truck Loan - 3.95%	8,431	0	8,431	0	0
2008 Grader Loan - 3.65%	54,864	0	54,864	0	0
Capital Leases	34,073	0	6,901	27,172	8,264
Compensated Absences	1,109,652	25,073	87,705	1,047,020	514,377
Total Governmental Activities	\$3,387,320	\$769,073	\$247,628	\$3,908,765	\$604,404

Gallia County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

	Principal Outstanding 12/31/11	Additions	Deductions	Principal Outstanding 12/31/12	Amounts Due in One Year
Business-Type Activities:					
OWDA Loans:					
2008 Green Sewer - 5.21%	\$344,928	\$44,701	\$27,935	\$361,694	\$12,200
2009 Kanauga/Addison Sewer - 0.00%	351,000	0	18,000	333,000	9,000
2009 Kanauga/Addison Sewer - 1.48%	1,902,206	16,122	43	1,918,285	1,918,285
2009 Mercerville Sewer - 0.00%	209,806	4,511	11,330	202,987	5,800
2011 Kanauga/Addison Sewer - 1.00%	160,372	328,547	0	488,919	0
Total OWDA Loans	2,968,312	393,881	57,308	3,304,885	1,945,285
2000 USDA Sewer General Obligation					
Bonds - 4.50%	1,693,700	0	29,500	1,664,200	30,900
2002 OPWC Bidwell Porter Sewer - 0.00%	120,750	0	11,500	109,250	5,750
2008 OPWC Kanauga/Addison Sewer - 0.00%	287,081	0	0	287,081	0
Total USDA Bonds and OPWC Loans	2,101,531	0	41,000	2,060,531	36,650
Compensated Absences	1,666	863	0	2,529	2,114
Total Business-Type Activities	\$5,071,509	\$394,744	\$98,308	\$5,367,945	\$1,984,049

A. Governmental Activities

In April 1998, the County issued General Obligation Bonds in the amount of \$337,500 at 4.95 percent for the purpose of constructing a solid waste recycling facility. Principal and interest payments were due June and December 1 of each year through 2012. The bonds were retired from recycling center receipts in 2012.

In September 2006, the County issued General Obligation Bonds in the amount of \$1,480,000 at 4.45 percent for the purpose of constructing an early family and childhood center. Principal and interest payments are due December 1 of each year through 2036. The bonds will be retired from the Board of Developmental Disabilities Fund.

Principal and Interest requirements to retire the County's Early Family and Childhood Center General Obligation Bond at December 31, 2012, are as follows:

Year Ended December 31,	Principal	Interest	Total
2013	\$32,081	\$59,132	\$91,213
2014	33,509	57,704	91,213
2015	35,000	56,213	91,213
2016	36,558	54,655	91,213
2017	38,185	53,028	91,213
2018-2022	217,975	238,090	456,065
2023-2027	270,987	185,078	456,065
2028-2032	336,892	119,173	456,065
2033-2036	327,611	37,240	364,851
	\$1,328,798	\$860,313	\$2,189,111

In January 2009, the County issued General Obligation Bonds in the amount of \$150,000 at 3.99 percent

Gallia County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

for the purpose of constructing an EMS Station. Principal and Interest payments are due December 1 each year through 2033. The bonds will be retired from the Emergency Manage System Fund.

Principal and Interest requirements to retire the County's EMS Station General Obligation Bond at December 31, 2012, are as follows:

Year Ended December 31,	Principal	Interest	Total
2013	\$4,178	\$5,428	\$9,606
2014	4,347	5,259	9,606
2015	4,523	5,083	9,606
2016	4,693	4,913	9,606
2017	4,896	4,710	9,606
2018-2022	27,603	20,428	48,031
2023-2027	33,660	14,371	48,031
2028-2032	41,043	6,988	48,031
2033	9,233	374	9,607
	<u>\$134,176</u>	<u>\$67,554</u>	<u>\$201,730</u>

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

Principal and Interest requirements to retire the County's Speculative Building General Obligation Bond at December 31, 2012, are as follows:

Year Ended December 31,	Principal	Interest	Total
2013	\$13,908	\$8,711	\$22,619
2014	14,484	8,135	\$22,619
2015	15,083	7,536	22,619
2016	15,688	6,931	22,619
2017	16,355	6,264	22,619
2018-2022	92,491	20,606	113,097
2023-2024	42,577	2,662	45,239
	<u>\$210,586</u>	<u>\$60,845</u>	<u>\$271,431</u>

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

Principal and Interest requirements to retire the County's Airport General Obligation Bond at December 31, 2012, are as follows:

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Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

Year Ended December 31,	Principal	Interest	Total
2013	\$6,866	\$11,376	\$18,242
2014	7,164	11,078	18,242
2015	7,475	10,767	18,242
2016	7,799	10,443	18,242
2017	8,138	10,104	18,242
2018-2022	46,302	44,906	91,208
2023-2027	57,260	33,948	91,208
2028-2032	70,812	20,396	91,208
2033-2035	50,297	4,427	54,724
	<u>\$262,113</u>	<u>\$157,445</u>	<u>\$419,558</u>

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

Principal and Interest requirements to retire the County's Davis Lot General Obligation Bond at December 31, 2012, are as follows:

Year Ended December 31,	Principal	Interest	Total
2013	\$5,330	\$6,970	\$12,300
2014	5,570	6,730	12,300
2015	5,820	6,480	12,300
2016	6,082	6,218	12,300
2017	6,356	5,944	12,300
2018-2022	36,335	25,166	61,501
2023-2027	45,280	16,221	61,501
2028-2031	44,127	5,074	49,201
	<u>\$154,900</u>	<u>\$78,803</u>	<u>\$233,703</u>

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

Principal and Interest requirements to retire the JFS Building General Obligation Bond at December 31, 2012, are as follows:

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Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

Year Ended December 31,	Principal	Interest	Total
2013	\$19,400	\$23,366	\$42,766
2014	20,100	24,455	44,555
2015	20,800	23,777	44,577
2016	21,400	23,075	44,475
2017	22,200	22,353	44,553
2018-2022	122,600	100,018	222,618
2023-2027	144,800	77,875	222,675
2028-2032	170,900	51,739	222,639
2033-2037	201,800	20,884	222,684
	<u>\$744,000</u>	<u>\$367,542</u>	<u>\$1,111,542</u>

In July 2008, the County entered into a loan in the amount of \$40,000 at 3.95 percent for the purpose of purchasing a Rescue Truck. Principal and interest payments were due December 1 of each year through 2012. The loan was retired from the Emergency Management System Fund in 2012.

In May 2008, the County entered into a loan in the amount of \$260,000 at 3.65 percent for the purpose of purchasing a Gradall Grader. Principal and interest payments were due December 1 of each year through 2012. During 2012, the loan was retired from the Motor Vehicle Gasoline Tax Fund.

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

B. Business-Type Activities

In June 2006, the County entered into an agreement with OWDA for a Green Township Sanitary Sewer Study in the amount of \$50,000. On August 28, 2008, the County was approved for a \$325,000 Green Sewer Phase I Design Loan which was used to pay off the Sanitary Sewer Study Loan. On March 31, 2011, the County was approved for an additional \$163,000 for a total of \$488,000. The current contract term is for an interest rate of 5.21% with \$12,200 principal payment amounts semiannually for five years with a final payment date of July 1, 2014. The design loan will be rolled over into a long term construction loan for payment. As of December 31, 2012, \$447,094 has been disbursed on the OWDA Loan, which includes capitalized interest. The loan will be paid from pledged revenues charged for services of the system. The County is currently making semi-annual principal payments of \$12,200 which represents 1/40th of the authorized loan amount. As of December 31, 2012 the County has repaid \$85,400. As of December 31, 2012, OWDA had not disbursed the entire amount of the loan. On May 30, 2013, the Board of County Commissioners accepted a loan / grant offer from USDA relating to Green Sewer with a grant amount of \$3,335,000 and loan portion of \$3,089,000 with terms of 2.125% interest for 40 years with principal deferral of 2 years. The funds will be used to construct a new sanitary sewer collection system in portions of Green and Gallipolis Townships.

Gallia County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

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

Principal and Interest requirements to retire the County's Kanauga/Addison Sewer OWDA Loan at December 31, 2012, are as follows:

Year Ended December 31,	Principal
2013	\$9,000
2014	18,000
2015	18,000
2016	18,000
2017	18,000
2018-2022	90,000
2023-2027	90,000
2028-2031	72,000
	<u>\$333,000</u>

The County was required to secure interim financing relating to the construction of the Kanauga-Addison Sewer System for which the County received a \$1,862,000 USDA Rural Development loan relating to the construction. On August 27, 2009, the County secured interim financing for the USDA Rural Development loan with the Ohio Water Development Authority (OWDA) at an interest rate of 1.48% for a term of 40 years. The OWDA loan was used to pay off the 2006 OWDA planning loan related to the project. As of December 31, 2012, \$1,918,285 has been disbursed on the OWDA Loan, which includes capitalized interest. The County has pledged future Kanauga - Addison Sewer System customer revenues, net of specified operating expenses, to repay the \$1,862,000 OWDA Loan issued in 2009. Proceeds from the loan provide financing for the construction of the Kanauga - Addison Sewer System. The loan is payable solely from sewer customer net revenues and are payable through 2052. Annual principal and interest payments on the bonds are expected to be less than net revenues.

On March 14, 2013, the Board of County Commissioners approved a resolution authorizing the issuance of \$1,862,000 Sanitary Sewer Revenue Bonds. Proceeds were used to retire \$1,862,000 of the interim OWDA loan financing on March 25, 2013. The remaining amount of the interim financing outstanding was paid by the County on March 28, 2013. The Sanitary Sewer Revenue Bonds have an interest rate of 3.125% and are to be paid over forty years with the first payment representing interest being due March 1, 2014, with final payment being March 1, 2053.

In 2009, the County entered into a Water Pollution Control Loan Fund (WPCLF) agreement through OWDA which included assistance from the American Reinvestment and Recovery Act (ARRA). In June 2011, an additional \$110,000 was approved. This loan has a 0% interest rate and a term of 20 years. \$450,000 of this loan is scheduled to be paid with grant funding from the American Reinvestment and Recovery Act (ARRA). As of December 31, 2012, \$676,195 was disbursed on this loan; \$450,000 of the loan has been repaid with the above mentioned ARRA grant funding. In accordance with Section 603(d)(1)(c) of the Clean Water Act, the County has established a dedicated source of revenue for repayment of the loan. The dedicated source of repayment for the original loan is the sewer use charges in the Gallia County Commissioner's Resolution passed on May 14, 2009. The dedicated source of

Gallia County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

repayment for the supplemental loan is the wastewater user connection fees in Gallia County Commissioner's Resolution passed on December 16, 2010. The first payment of \$2,994 was made on the original loan in 2010. Semi - annual payment amounts were \$2,994 with the date of first payment of January 1, 2011, which was paid during 2010. With receipt of the supplemental loan, semi - annual payments are currently \$5,800.

Principal and Interest requirements to retire the County's Mercerville Sewer WPCLF OWDA Loan at December 31, 2012, are as follows:

<u>Year Ended</u> <u>December 31,</u>	<u>Principal</u>
2013	\$5,800
2014	11,599
2015	11,599
2016	11,599
2017	11,600
2018-2022	57,996
2023-2027	57,996
2028-2030	34,798
	<u>\$202,987</u>

In June 2011, the County entered into an agreement with OWDA for a Community Assistance Fund Loan for additional funding for the Kanauga – Addison Sewer project. The maximum amount of the loan is \$500,000 at a rate of one percent for a term of thirty years. The County has pledged future Kanauga - Addison Sewer System customer revenues, net of specified operating expenses, to repay the loan. Proceeds from the loan provide financing for the construction of the Kanauga - Addison Sewer System. The loan is payable solely from sewer customer net revenues. Annual principal and interest payments on the bonds are expected to be less than net revenues. As of December 31, 2012, \$488,919 has been disbursed by OWDA relating to this loan.

In March 2000, the County issued Sewer General Obligation Bonds in the amount of \$1,927,000 at an interest rate of 4.50 percent. Principal and interest payments are due March 1 of each year through 2040. These bonds issued through the USDA Rural Development were for the purpose of constructing the Bidwell Porter sewer system. The bonds will be repaid from revenues derived from the operations of the County's sewer system.

Principal and interest requirements to retire the Sewer Enterprise Fund's bonds outstanding at December 31, 2012, are as follows:

Gallia County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

Year Ended December 31,	Principal	Interest	Total
2013	\$30,900	\$74,889	\$105,789
2014	32,200	73,499	105,699
2015	33,700	72,049	105,749
2016	35,100	70,533	105,633
2017	36,800	68,954	105,754
2018-2022	210,100	318,411	528,511
2023-2027	261,900	266,688	528,588
2028-2032	326,300	202,221	528,521
2033 -2037	406,600	121,887	528,487
2038-2040	290,600	26,536	317,136
	<u>\$1,664,200</u>	<u>\$1,295,667</u>	<u>\$2,959,867</u>

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

Principal and interest requirements to retire the County's Bidwell Porter Sewer OPWC Loan outstanding at December 31, 2012, are as follows:

Year Ended December 31,	Principal
2013	\$5,750
2014	11,500
2015	11,500
2016	11,500
2017	11,500
2018-2022	57,500
	<u>\$109,250</u>

The 2008 Kanauga/Addison Sewer OPWC Loan, authorized in the amount of \$325,000 at zero percent interest, is being used to expand the Kanauga/Addison sewer system. The loan activity is reflected in the Sewer Enterprise Fund which received the proceeds and will repay the debt. The loan has not been fully drawn down. As of December 31, 2012, the amount drawn down was \$287,081. Loan repayment is initiated by project completion. Principal payments will be due January and July 1 of each year for a term of 30 years in amounts of \$5,417.

The County has pledged future customer revenues, net of specified operating expenses, to repay \$3,304,885 in OWDA loans issued from 2008 to 2011. Proceeds from these loans provided financing for various sewer projects. The loans are payable solely from customer net revenues and are payable through 2042. Annual principal and interest payments on the bonds should require less than 100 percent of net revenues in future years. Net revenues include all revenues received by the sewer utility less all operating expenses other than depreciation expense. The total principal and interest remaining to be paid on the loans are unknown at this time since some loans are not fully drawn out, however principal and interest remaining on the Mercerville and Kanauga/Addison OWDA (WPCLF) loans are \$202,987 and \$333,000, respectively. Principal and interest payments for the current year were \$57,308, net revenues were \$3,592,542, and total revenues were \$3,906,084.

Gallia County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

In November 2011, the County's application for assistance from the Ohio Water Pollution Control Loan Fund (WPCLF) was approved for home sewage treatment system improvements. The total project cost is \$120,000 and includes a principal forgiveness amount of \$120,000. As of December 31, 2012, no amounts have been disbursed relating to this item. On September 20, 2012, the Board of County Commissioners tentatively awarded contracts contingent upon receiving the funding in amounts of \$15,300 and \$23,425.

On May 23, 2013, the Board of County Commissioners approved the Lewis Road Slip Repair Project Grant / Loan Agreement with Ohio Public Works Commission. This agreement includes grant funds in the amount of \$145,730 and a loan amount of \$18,216 to be drawn on once the grant amount is fully expended. The project includes a local share portion of 10%.

C. Debt Margin

The Ohio Revised Code provides that the net general obligation debt of the County, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed one percent of the total valuation of the County. The Code further provides that the total shall never exceed a sum equal to three percent of the first \$100,000,000 of the assessed valuation, plus one and one-half percent of such valuation in excess of \$100,000,000 and not in excess of \$300,000,000, plus two and one-half percent of such valuation in excess of \$300,000,000. The County's total debt margin was \$16,515,829 and the unvoted debt margin was \$13,681,256 at December 31, 2012.

D. Conduit Debt

Pursuant to State statute, various industrial revenue bonds have been issued for private industry within the County. The proceeds of the industrial revenue bonds are used by the various private industries for new construction or improvements. The bonds are to be repaid by the recipients of the proceeds and do not represent obligations of the County. As of December 31, 2012, \$160,487,824 of industrial revenue bonds had been issued, and \$157,398,226 of those remained outstanding.

Pursuant to State statute, the Ohio Counties of Gallia, Athens, Lawrence, Meigs, and Jackson entered into a public hospital agencies agreement to issue \$155,315,000 Hospital Facilities Revenue Refunding and Improvement Bonds, Series 2012 (Holzer Health System Obligated Group Project). The issuance consisted of \$122,000,000 County of Gallia, Ohio Hospital facilities Revenue Refunding and Improvement Bonds, Series 2012A and \$33,315,000 County of Gallia, Ohio Subordinate Hospital Facilities Revenue Bonds, Series 2012B. The closing date was March 27, 2012. The amount of \$155,315,000 is included in the Industrial Revenue bond amount above.

NOTE 26 - GALLIA COUNTY LANDFILL

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

Gallia County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

NOTE 27 - ADDITIONAL DISCLOSURES FOR DISCRETELY PRESENTED COMPONENT UNIT

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.

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.

NOTE 28 – SUBSEQUENT EVENTS

On January 10, 2013, the Board of County Commissioners approved a contract with DGM Inc. for the Patriot Road slip repair project at a cost of \$498,483.

On February 7, 2013, the Board of County Commissioners approved a contract with U.S. Bridge for the Dan Jones Road slip repair project at a cost of \$157,520.

On February 21, 2013, the Board of County Commissioners approved a contract with U.S. Bridge for the Raccoon Creek slip repair project at a cost of \$146,908 and also approved a contract with U.S. Bridge for the Hamilton Road slip repair project at a cost of \$139,368.

On May 16, 2013, the Board of County Commissioners approved GAL-CR2-VAR-PM grant funded pavement marking plans totaling \$150,000. The Board of County Commissioners contracted with Aero-Mark for performance of this project on July 18, 2013.

On June 6, 2013, the Board of County Commissioners awarded the Various Roads Paving Project to the Shelly Company in an amount of \$2,658,684.

On July 2, 2013, the Board of County Commissioners awarded the Lincoln Pike Bridge Replacement Project to U.S. Bridge in an amount of \$1,414,016.

On July 18, 2013, the Board of County Commissioners approved a contract with the Shelly Company for the 2013 Paving Project in an amount of \$368,936 and for the Chip and Seal Project in an amount of \$499,485.

Gallia County
Required Supplementary Information
Condition Assessments of the County's Infrastructure
Reported Using the Modified Approach
For the Year Ended December 31, 2012

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

County Roads

The Gallia County Engineer uses a pavement management system to evaluate to condition of 454.85 miles of roadway. All roads are inspected on an annual basis using the following system, and criteria consisting of current condition, last date of maintenance or resurfacing, traffic count and type.

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

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

Bridges and Large Culverts

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

Gallia County
Required Supplementary Information
Condition Assessments of the County's Infrastructure
Reported Using the Modified Approach
For the Year Ended December 31, 2012

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

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

The following summarizes the road and bridge conditions as of December 31, 2012.

ROAD CONDITION

CONDITION DESCRIPTION	ROAD CONDITION	LENGTH MILES	AREA SQ. FT.	% OF ROADS	PERCENT ACCUM.
EXCELLENT	1	178.76	16,667,059.20	40.52%	40.52%
GOOD	2	259.83	23,007,589.44	55.93%	96.45%
FAIR	3	16.17	1,456,466.88	3.54%	99.99%
DEFICIENT	4	0.09	6,652.80	0.01%	100.00%
POOR	5	0.00	0.00	0.00%	100.00%
TOTALS		454.85	41,137,768.32	100.00%	

99.99% of roads exceed the goal of 85% of roadways having a rating of '3 – Fair' or better.

Gallia County
Required Supplementary Information
Condition Assessments of the County's Infrastructure
Reported Using the Modified Approach
For the Year Ended December 31, 2012

BRIDGE CONDITION

CONDITION DESCRIPTION	BRIDGE CONDITION (GA)	# OF BRIDGES	% OF BRIDGES	PERCENT ACCUM.
EXCELLENT	9	2	0.72%	0.72%
VERY GOOD	8	30	10.83%	11.55%
GOOD	7	52	18.77%	30.32%
SATISFACTORY	6	66	23.83%	54.15%
FAIR	5	95	34.30%	88.45%
POOR	4	29	10.47%	98.92%
SERIOUS	3	2	0.72%	99.64%
CRITICAL	2	1	0.36%	100.00%
IMMINENT FAILURE	1	0	0.00%	100.00%
CLOSED	0	0	0.00%	100.00%
TOTALS		277	100.00%	

88.45% of structures exceed the goal of 80% of structures having a rating of '5 – Fair' or better.

Budgeted versus actual expenditures for combined road and bridge maintenance in 2012:

	BUDGET	ACTUAL	DIFFERENCE
TOTAL ROAD & BRIDGE MAINTENANCE	\$3,551,390	\$4,161,650	\$610,260

The maintenance table includes all M&R Funds required to maintain Gallia County's roads and bridges at the specified level.

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**GALLIA COUNTY
FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2012**

FEDERAL GRANTOR/ Pass Through Grantor/ Program Title	Pass Through Entity's Number	Federal CFDA Number	Disbursements
<u>UNITED STATES DEPARTMENT OF AGRICULTURE</u>			
<i>Passed through Ohio Department of Education</i>			
<i>Child Nutrition Cluster:</i>			
School Breakfast Program	070615-05PU-2012	10.553	\$6,339
	070615-05PU-2013		<u>2,225</u>
Total School Breakfast Program			8,564
National School Lunch Program	070615-LLP4-2012	10.555	9,975
	070615-LLP4-2013		<u>3,540</u>
Total National School Lunch Program			13,515
Total Child Nutrition Cluster			22,079
<i>Passed through Ohio Department of Job and Family Services</i>			
<i>State Administrative Matching Grants for the Supplemental Nutrition Assistance Program</i>			
	G-1213-11-0039	10.561	252,056
<i>Direct from Federal Government</i>			
Schools and Roads - Grants to States	N/A	10.665	26,222
Community Facilities Loans and Grants - loan	N/A	10.766	<u>743,521</u>
Total U.S. Department of Agriculture			1,043,878
<u>UNITED STATES DEPARTMENT OF COMMERCE</u>			
<i>Passed Through Connected Nation Inc.</i>			
ARRA - Broadband Technology Opportunities Program (BTOP)	21-43-B10546	11.557	<u>441</u>
Total U.S. Department of Commerce			441
<u>UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
<i>Passed through Ohio Department of Development</i>			
<i>Community Development Block Grants State Administered CDBG Cluster</i>			
Community Housing Improvement Program	B-C-11-1AY-1	14.228	51,950
Community Development Program	B-F-11-1AY-1	14.228	78,338
ARRA - Water and Sanitary Sewer Program	B-R-09-1AY-1	14.255	44,453
Community Development Program	B-F-12-1AY-1	14.228	2,797
CDBG Revolving Loans	B-E-98-025-1	14.228	<u>264</u>
Total Community Development Block Grants State Administered CDBG Cluster			177,802
Home Investment Partnerships Program			
Community Housing Improvement Program	B-C-11-1AY-2	14.239	<u>42,753</u>
Total U.S. Department of Housing and Urban Development			220,555
<u>UNITED STATES DEPARTMENT OF THE INTERIOR</u>			
<i>Direct from Federal Government</i>			
Payments in Lieu of Taxes	N/A	15.226	<u>9,581</u>
Total U.S. Department of the Interior			9,581
<u>UNITED STATES DEPARTMENT OF JUSTICE</u>			
<i>Direct from Federal Government</i>			
Bulletproof Vest Partnership Program	N/A	16.607	1,193
ARRA-Assistance to Rural Law Enforcement to Combat Crime and Drugs Competitive Grant Program	2009-SD-B9-0031	16.810	16,261
<i>Passed through the Ohio Department of Youth Services</i>			
Juvenile Accountability Block Grants	2009-JB-009-B076	16.523	7,656
Edward Byrne Memorial Justice Assistance Grant Program Cluster			
<i>Passed through the Ohio Department of Public Safety - Office of Criminal Justice Services</i>			
Edward Byrne Memorial Justice Assistance Grant Program	2011-JG-LLE-5214	16.738	9,995
<i>Direct from Federal Government</i>			
ARRA - Edward Byrne Memorial Justice Assistance Grant (JAG) Program / Grants To Units of Local Government	2009-SB-B9-2216	16.804	<u>2,885</u>
Total Edward Byrne Memorial Justice Assistance Grant Program Cluster			12,880
Total U.S. Department of Justice			37,990

**GALLIA COUNTY
FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

FEDERAL GRANTOR/ <i>Pass Through Grantor/ Program Title</i>	Pass Through Entity's Number	Federal CFDA Number	Disbursements
<u>UNITED STATES DEPARTMENT OF LABOR</u>			
<i>Passed Through Workforce Investment Act Area 7</i>			
Workforce Investment Act (WIA) Cluster:			
WIA Adult Program	N/A	17.258	15,290
WIA Youth Activities		17.259	39,585
WIA Dislocated Workers		17.260/17.278	<u>81,824</u>
Total Workforce Investment Act (WIA) Cluster			<u>136,699</u>
Workforce Investment Act (WIA) National Emergency Grants		17.277	2,445,069
Disabled Veterans' Outreach Program (DVOP)		17.801	<u>1,382</u>
Total U.S. Department of Labor			2,583,150
<u>UNITED STATES DEPARTMENT OF TRANSPORTATION</u>			
<i>Direct from the Federal Government</i>			
Airport Improvement Program	3-39-0101-1011 3-39-0101-1112	20.106	139,839 <u>108,289</u> 248,128
Total Airport Improvement Program			248,128
<i>Passed Through Ohio Department of Transportation</i>			
Highway Planning and Construction	PID86762 PID88311 PID89455 PID90592 PID91537 PID91872 PID91875 PID91876 PID91878	20.205	139,742 288,966 7,444 299,980 8,100 47,535 113,804 144,157 <u>65,708</u> 1,115,436
Total Highway Planning and Construction			1,115,436
<i>Passed Through Ohio Department of Public Safety - Ohio Traffic Safety Office</i>			
Highway Safety Cluster:			
State and Community Highway Safety	HVEO-2013-27-00-00-00377-00 HVEO-2012-27-00-00-00321-00	20.600	255 <u>5,861</u> 6,116
Total State and Community Highway Safety			6,116
Alcohol Impaired Driving Countermeasures Incentive Grants I	HVEO-2013-27-00-00-00377-00 HVEO-2012-27-00-00-00321-00	20.601	255 <u>5,861</u> 6,116
Total Alcohol Impaired Driving countermeasures Incentive Grants I			6,116
Total Highway Safety Cluster			<u>12,232</u>
Total U.S. Department of Transportation			1,375,796
<u>UNITED STATES DEPARTMENT OF EDUCATION</u>			
<i>Passed through Ohio Department of Education</i>			
Special Education Cluster (IDEA):			
Special Education-Grants to States (IDEA, Part B)	070615-6BSF-2013 070615-6BSF-2012	84.027	13,015 <u>13,108</u> 26,123
Total Special Education-Grants to States (IDEA, Part B)			26,123
Special Education-Preschool Grants (IDEA Preschool)	070615-PGS1-2013 070615-PGS1-2012	84.173	5,354 <u>5,643</u> 10,997
Total Special Education-Preschool Grants (IDEA Preschool)			10,997
Total Special Education Cluster (IDEA)			<u>37,120</u>
Total U.S. Department of Education			37,120

**GALLIA COUNTY
FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

FEDERAL GRANTOR/ Pass Through Grantor/ Program Title	Pass Through Entity's Number	Federal CFDA Number	Disbursements
<u>UNITED STATES ELECTION ASSISTANCE COMMISSION</u>			
<i>Passed through Ohio Secretary of State</i>			
Help America Vote Act Requirements Payments	HAVA Title II, 251 Funds	90.401	<u>3,498</u>
Total U.S. Election Assistance Commission			3,498
<u>UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
<i>Passed Through Ohio Department of Job and Family Services</i>			
Promoting Safe and Stable Families	G-1213-11-0040	93.556	12,730
Temporary Assistance for Needy Families	G-1213-11-0039	93.558	1,442,112
Child Support Enforcement	G-1213-11-0039	93.563	658,850
Child Care and Development Block Grant	G-1213-11-0039	93.575	18,550
Stephanie Tubbs Jones Child Welfare Services Program	G-1213-11-0040	93.645	22,131
ARRA - Foster Care Title IV-E	G-1213-11-0040	93.658	49
Foster Care Title IV-E	G-1213-11-0040	93.658	121,683
Foster Care Title IV-E	G1213-06-0169	93.658	46,671
Adoption Assistance	G-1213-11-0040	93.659	111,398
Social Services Block Grant - Title XX	G-1213-11-0039	93.667	246,285
Medical Assistance Program	G-1213-11-0039	93.778	<u>479,392</u>
Total Passed Through Ohio Department of Job and Family Services			3,159,851
<i>Passed Through Ohio Department of Developmental Disabilities</i>			
Social Services Block Grant - Title XX	N/A	93.667	<u>11,481</u>
Total Passed Through Ohio Department of Developmental Disabilities			<u>11,481</u>
Total U.S. Department of Health and Human Services			3,171,332
<u>UNITED STATES DEPARTMENT OF HOMELAND SECURITY</u>			
<i>Passed Through Ohio Department of Public Safety - Emergency Management Agency</i>			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	FEMA-4002-DR FEMA-4077-DR	97.036	986,054 <u>76,047</u>
Total Disaster Grants - Public Assistance (Presidentially Declared Disasters)			1,062,101
Hazard Mitigation Grant	FEMA-DR-1805-OH	97.039	6,960
Emergency Management Performance Grants	EMW-2011-EP-00003-S01 EMW-2012-EP-00004-S01	97.042	6,494 <u>8,715</u>
Total Emergency Management Performance Grants			15,209
Homeland Security Grant Program	2008-GE-T8-0025 2009-SS-T9-0089 2010-SS-T0-0012 EMW-2011-SS-0070	97.067	5,714 44,010 32,567 <u>25,022</u>
Total Homeland Security Grant Program			107,313
National Incident Management System (NIMS)	2010RC-60-K003	97.107	<u>651</u>
Total U.S. Department of Homeland Security			<u>1,192,234</u>
TOTAL FEDERAL AWARDS EXPENDITURES			<u>\$9,675,575</u>

The Notes to the Federal Awards Expenditures Schedule is an integral part of the Schedule.

GALLIA COUNTY

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2012**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Expenditures Schedule (the Schedule) reports the County's federal award programs' disbursements. The Schedule has been prepared on the cash basis of accounting.

NOTE B – MATCHING REQUIREMENTS

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

NOTE C – COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) REVOLVING LOAN PROGRAMS

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

These loans are collateralized by mortgages on the property.

During 2012, the County did not have any loan activity in the CDBG revolving loan fund.

Activity in the CDBG revolving loan fund during 2012 is as follows:

Cash balance on hand in the revolving loan fund as of December 31, 2012	\$60,713
2012 Expenditures for Strategic Planning Project	264
Total Value of RLF portion of the CDBG Program:	<u>\$60,977</u>
Other Grants Administered Through the CFDA # 14.228 and 14.255 Program:	<u>\$177,538</u>
Total CDBG CFDA # 14.228 and 14.255 Program:	<u>\$238,515</u>

Delinquent amounts due as of December 31, 2012 are \$0.

In addition, the County has Declining Mortgage Loans outstanding in the amount of \$168,409. These loans are not reported on the Schedule and are also not reported on the Basic Financial Statements. See Note 24 to the Basic Financial Statements. The cash balance on hand in the Housing Program Income Fund at December 31, 2012 was \$31,607. There were no expenditures from the Housing Program Income Fund during 2012.

GALLIA COUNTY

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

NOTE D – CHILD NUTRITION CLUSTER

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

NOTE E – WORKFORCE INVESTMENT ACT (WIA) EXPENDITURES

Expenditures for the Workforce Investment Act (WIA) programs are presented on the Federal Awards Expenditures Schedule as cash basis expenditures for the WIA Fund during 2012.

NOTE F – OHIO DEPARTMENT OF DEVELOPMENTAL DISABILITIES

The Gallia County Department of Developmental Disabilities received federal financial assistance from the Ohio Department of Mental Retardation and Developmental Disabilities for the following programs (which are audited at the state level and reported in the State Single Audit Report):

CFDA # 93.767	Children's Health Insurance Program
CFDA # 93.778	Medicaid Cluster (Individual Options, Level One Waiver, and Targeted Case Management Programs)

During the calendar year, the County Board of Developmental Disabilities received a refund for EFMAP (ARRA) funds for the Medicaid Program (CFDA # 93.778) in the amount of \$131 from the Ohio Department of Disabilities. This refund was a correction to the EFMAP percentage for four billing cycles during July and August 2009. This revenue is not listed on the County's Schedule of Expenditures of Federal Awards since the underlying expense occurred in prior reporting periods.

NOTE G – OHIO DEPARTMENT OF JOB AND FAMILY SERVICES

The Gallia County Department of Job and Family Services, Children Services Board, and Child Support Enforcement Agency received federal financial assistance from the Ohio Department of Job and Family Services that are required to be audited at the County level for the following programs:

CFDA # 10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
CFDA # 93.556	Promoting Safe and Stable Families
CFDA # 93.558	Temporary Assistance for Needy Families (TANF)
CFDA # 93.563	Child Support Enforcement
CFDA # 93.590	Community-Based Child Abuse Prevention Grants
CFDA # 93.575/596	Child Care and Development Cluster
CFDA # 93.645	Child Welfare Services – State Grants
CFDA # 93.658	Foster Care-Title IV-E
CFDA # 93.659	Adoption Assistance
CFDA # 93.667	Social Services Block Grant (Title XX)
CFDA # 93.778	Medical Assistance Program

GALLIA COUNTY

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

NOTE H - TRANSFERS BETWEEN FEDERAL PROGRAMS

During fiscal year 2012, the County made allowable transfers of \$38,000 from the Temporary Assistance for Needy Families (TANF) (93.558) program to the Social Services Block Grant (SSBG) (93.667) program. The Schedule shows the County spent approximately \$1,442,112 on the TANF program. The amount reported for the TANF program on the Schedule excludes the amount transferred to the SSBG program. The amount transferred to the SSBG program is included as SSBG expenditures when disbursed. The following table shows the gross amount drawn for the TANF program during fiscal year 2012 and the amount transferred to the Social Services Block Grant program.

Temporary Assistance for Needy Families	\$1,480,112
Transfer to Social Services Block Grant	<u>(38,000)</u>
Total Temporary Assistance for Needy Families	<u>\$1,442,112</u>

NOTE I – PRIOR YEAR PROGRAM EXPENDITURE ADJUSTMENTS

The Ohio Department of Job and Family Services (ODJFS) sub-awarded to Gallia County, Federal funding from the U.S. Department of Health and Human Services. During 2012, the County moved expenditures in the amount of \$30,275 from Child Care Mandatory and Matching Funds of the Child Care and Development Fund CFDA # 93.596 to Child Care and Development Block Grant CFDA # 93.575. These expenditures related to calendar year 2011. In addition, during 2012 as a result of monitoring and review from the Office of Fiscal and Monitoring Services with ODJFS, the County went back and recorded receipts from the schools for State Fiscal Year 2012 to the expense line for Promoting Safe and Stable Families CFDA # 93.556. \$11,711 of these receipts related to calendar year 2011. Therefore, these adjustments affect 2011 calendar-year program expenditures previously reported as follows:

Program	CFDA Number	Pass Through Number	2011 Federal Expenditures Reported	2012 Adjustment Amount	Adjusted 2011 Federal Expenditures Reported
Promoting Safe and Stable Families	93.556	G-1213-11-0040	\$20,797	(\$11,711)	\$9,086
Child Care and Development Block Grant	93.575	G-1213-11-0039	\$33,047	\$30,275	\$63,322
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	G-1213-11-0039	\$72,956	(\$30,275)	\$42,681



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

Gallia County
18 Locust Street
Gallipolis, Ohio 45631

To the Board of County Commissioners:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of Gallia County, Ohio (the County), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated September 5, 2013, wherein we noted the County has adopted the provisions of Governmental Accounting Standards Board Statement Nos. 63 and 65.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

Dave Yost
Auditor of State

Columbus, Ohio

September 5, 2013



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Gallia County
18 Locust Street
Gallipolis, Ohio 45631

To the Board of County Commissioners:

Report on Compliance for Each Major Federal Program

We have audited Gallia County's (the County) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of Gallia County's major federal programs for the year ended December 31, 2012. The *Summary of Audit Results* in the accompanying Schedule of Findings and Questioned Costs identifies the County's major federal programs.

Management's Responsibility

The County's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the County's compliance for each of the County's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Basis for Qualified Opinion on Child Support Enforcement Program

As described in Finding 2012-001 in the accompanying Schedule of Findings and Questioned Costs, the County did not comply with requirements regarding Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Matching, Level of Effort, Earmarking; Period of Availability; and Procurement and Suspension and Debarment applicable to its Child Support Enforcement major federal program. Compliance with these requirements is necessary, in our opinion, for the County to comply with requirements applicable to this program.

Qualified Opinion on Child Support Enforcement Program

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Child Support Enforcement Program* paragraph, Gallia County complied, in all material respects with the requirements referred to above that could directly and materially affect its Child Support Enforcement Program for the year ended December 31, 2012.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, Gallia County complied in all material respects with the requirements referred to above that could directly and materially affect each of its other major federal programs identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs for the year ended December 31, 2012.

Other Matters

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

Report on Internal Control over Compliance

The County's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the County's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program's compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2012-001 to be a material weakness.

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

This report only describes the scope of our tests of internal control over compliance and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.

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

Dave Yost
Auditor of State

Columbus, Ohio

September 5, 2013

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GALLIA COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 OMB CIRCULAR A-133 § .505
 DECEMBER 31, 2012

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	Yes
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Qualified for Child Support Enforcement - CFDA # 93.563 Unmodified for each of the other major federal programs
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	Yes
(d)(1)(vii)	Major Programs (list):	Community Facilities Loans and Grants – CFDA # 10.766 Highway Planning and Construction – CFDA # 20.205 Workforce Investment Act (WIA) National Emergency Grants – CFDA # 17.277 Temporary Assistance for Needy Families - CFDA # 93.558 Child Support Enforcement - CFDA # 93.563 Medical Assistance Program - CFDA # 93.778 Disaster Grants – Public Assistance (Presidentially Declared Disasters) – CFDA # 97.036
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

GALLIA COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2012
(Continued)

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

None.

3. FINDINGS FOR FEDERAL AWARDS

Finding Number	2012-001
CFDA Title and Number	Child Support Enforcement, CFDA # 93.563
Federal Award Number / Year	G-1213-11-0039
Federal Agency	United States Department of Health and Human Services
Pass-Through Agency	Ohio Department of Job and Family Services

Questioned Cost, Noncompliance Finding and Material Weakness

Ohio Admin Code Section 5101:12-1-80.3 (B)(1)(a) states that, for purposes of completing a time sheet or exception report, "Dedicated principal staff" means principal staff, as listed on the JFS 07020, "Governmental Contractor IV-D Contract Budget" (rev. 2/2009), who work one hundred per cent of the time on activities that are reimbursable under the IV-D contract. Ohio Admin Code Section 5101:12-1-80.3 (B)(4) states that for a IV-D contract with a governmental entity with dedicated principal staff when the unit of service is defined as an hour, the principal staff as listed on the JFS 07020 shall record and certify on the JFS 01730, "Dedicated Principal Staff Exception Report" (2/2009) the dates and time spent each month on both activities that are reimbursable and not reimbursable under the IV-D contract.

Ohio Admin Code Section 5101:12-1-80.3 (C)(1)(e) further states that when the unit of service is defined as an hour, the contractor shall multiply the justified unit rate by the actual time spent on activities purchased under the IV-D contract during the month to determine the actual IV-D contract cost for the month.

The Gallia County Department of Job and Family Services contracted with the Gallia County Prosecutor for IV-D services in 2012 to cover fiscal year 2013 (July 1, 2012 – June 30, 2013). The Contract stated that the units of services were hours spent in service of IV-D activities. The County Prosecutor's office submitted monthly invoices documenting units (hours) spent on IV-D activities, but failed to document the total units spent on non-IV-D reimbursable activities. As such, the monthly IV-D contractor invoices submitted to the Department of Job And Family Services calculated the justified unit rate as total contractor monthly expenses divided by the IV-D units of service purchased rather than by the total units produced. This resulted in overpayment of reimbursable IV-D expenditures in 2012 of approximately \$72,160. Failure to properly document reimbursable and non-reimbursable time results in the inability to determine the true portion of expenditures chargeable under the IV-D contract.

The total amount of \$72,160 is considered a questioned cost.

We recommend the Gallia County Prosecutor's Office provide the dates and time spent each month on both activities that are reimbursable and not reimbursable under the IV-D contract for all individuals charging expenditures to the Department of Job and Family Services under IV-D contracts. We further recommend that the justified rate used in determining actual IV-D contract costs be properly calculated to demonstrate total actual expenses incurred by the Prosecutor's Office divided by the total operating units (hours) produced.

GALLIA COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2012
(Continued)

3. FINDINGS FOR FEDERAL AWARDS (Continued)

Finding Number	2012-001 (Continued)
CFDA Title and Number	Child Support Enforcement, CFDA # 93.563
Federal Award Number / Year	G-1213-11-0039
Federal Agency	United States Department of Health and Human Services
Pass-Through Agency	Ohio Department of Job and Family Services

Questioned Cost, Noncompliance Finding and Material Weakness (Continued)

Officials' Response:

Gallia County Department of Job and Family Services (GCDJFS) determined that billable hours were not consistent with anticipated billable hours in a December 2012 internal contract monitoring review. A memo, dated January 17, 2013, was sent to the Gallia County Prosecutor indicating the issues identified along with a corrective action plan that was implemented through the contract end date of June 30, 2013. Although there was regular correspondence between GCDJFS and the Gallia County Prosecutor's office, the Prosecutor's office was unable to fully comply with the corrective action plan due to a large influx of other, non-CSEA cases into the Prosecutor's office.

GALLIA COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
 OMB CIRCULAR A-133 §.315(b)
 DECEMBER 31, 2012

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2011-01	Significant deficiency recommending the Gallia County Treasurer develop formal policies and procedures for the use of delinquent tax contracts to take into consideration the Ohio ethics Law and be developed to address potential conflicts of interest regarding public officials and employees.	Yes	
2011-02	Material weakness recommending the County adopt a formal policy for maintaining a capital asset listing which incorporates the requirements of GASB Statement Number 34 and integrates the policy for reporting infrastructure.	Yes	
2011-03	Noncompliance finding and significant deficiency relating to OMB Circular A-133 Subpart C, Section_.300(e) recommending the County submit the annual financial report to the Single Audit Clearinghouse within nine months of the fiscal year end.	Yes	

GALLIA COUNTY

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A-133 § .315(c)
DECEMBER 31, 2012**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2012-001	Gallia County Department of Job and Family Services (GCDJFS) determined that billable hours were not consistent with anticipated billable hours in a December 2012 internal contract monitoring review. A memo, dated January 17, 2013, was sent to the Gallia County Prosecutor indicating the issues identified along with a corrective action plan that was implemented through the contract end date of June 30, 2013. Although there was regular correspondence between GCDJFS and the Gallia County Prosecutor's office, the Prosecutor's office was unable to fully comply with the corrective action plan due to a large influx of other, non-CSEA cases into the Prosecutor's office.	12/31/2013	Dana L. Glassburn, GCDJFS Director

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GALLIA 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
SEPTEMBER 24, 2013