



**Auditor of State
Betty Montgomery**

GALLIA COUNTY
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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Gallia County
18 Locust Street
Gallipolis, Ohio 45631

To the Board of County Commissioners:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Gallia County, Ohio (the County), as of and for the year ended December 31, 2003, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Gallico Industries, Inc., a discretely presented component unit. Other auditors audited those financial statements. They have furnished their report thereon to us, and we base our opinion, insofar as it relates to the amounts included for Gallico Industries, Inc. on the report of the other auditors.

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

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Gallia County, Ohio, as of December 31, 2003, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparisons for the General, Motor Vehicle and Gas Tax, Job and Family Services, Board of Mental Retardation, and the Community Development Block Grant Funds thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended December 31, 2003, the County implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Also, as mentioned in Note 3, during the year ended December 31, 2003, the County adopted GASB Statements 37 and 38 and Interpretation 6.

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In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 2005, 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 testing of internal control over financial reporting and compliance and the results of that testing. It does not opine on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to form opinions of the financial statements that collectively comprise the County's basic financial statements. The Schedule of Federal Awards Expenditures is required by 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 basic financial statements. We subjected the Schedule of Federal Awards Expenditures to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Betty Montgomery
Auditor of State

February 24, 2005

Gallia County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2003
Unaudited

The discussion and analysis of Gallia County's financial performance provides an overall review of the County's financial activities for the fiscal year ended December 31, 2003. The intent of this discussion and analysis is to look at the County's financial performance as a whole. Readers should also review the financial statements and notes to those respective statements to enhance their understanding of the County's financial performance.

Financial Highlights

Key financial highlights for 2003 are as follows:

- The assets of the County exceeded its liabilities at December 31, 2003, by \$20,830,624. Of this amount, \$1,454,539 may be used to meet the County's ongoing obligations to citizens and creditors.
- The net assets of governmental activities increased \$4,312,632, which represents a 32.5 percent increase from 2002. The net assets of business-type activities decreased \$186,792, which represents a 5.4 percent decrease.
- For 2003, all revenues of the County totaled \$28,281,845. General revenues accounted for \$9,535,865 in revenue or 33.7 percent of all revenues. Program revenues in the form of charges for services and grants and contributions accounted for \$18,745,980 or 66.3 percent of all revenues.
- The County had \$23,704,266 in expenses related to governmental activities: only \$18,500,074 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$9,516,824 of which \$5,817,566 was taxes with the remaining \$3,699,258 interest, grants, entitlements and miscellaneous revenues were utilized to provide for these programs.
- As of December 31, 2003, the County's governmental funds reported combined fund balances of \$5,897,053, a decrease of \$163,968 or 2.7 percent in comparison with the prior year.

Overview of the Financial Statements

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

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

Government-Wide Financial Statements

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

The statement of net assets presents information on all of the County's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the County's tax base, current property tax laws in Ohio

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restricting revenue growth, and the condition of the County's capital assets (roads, bridges, sewer lines, etc.). These factors need to be considered when assessing the overall health of the County.

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

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

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

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

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

Fund Financial Statements

Fund financial reports provide detailed information about the County's major funds. The County uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the County's most significant funds. The County's major governmental funds are the General, Motor Vehicle and Gas Tax, Job and Family Services, Board of Mental Retardation, and Community Development Block Grant.

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objective. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into one of three categories: governmental funds, proprietary funds, and fiduciary funds.

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

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

The County maintains a multitude of individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund

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balances for the major funds, which were identified earlier. Data from the other governmental funds are combined into a single, aggregated presentation.

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

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the County. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The County's fiduciary funds are private-purpose trust and agency.

Notes to the Basic Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-Wide Financial Analysis

You may recall that the statement of net assets provides the perspective of the County as a whole. Table 1 provides a summary of the County's net assets for 2003 compared to 2002:

Table 1
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2003	2002	2003	2002	2003	2002
<i>Assets:</i>						
Current and Other Assets	\$14,164,317	\$11,962,167	\$469,127	\$537,216	\$14,633,444	\$12,499,383
Capital Assets, Net	9,322,166	6,745,015	4,988,200	5,143,225	14,310,366	11,888,240
Total Assets	<u>23,486,483</u>	<u>18,707,182</u>	<u>5,457,327</u>	<u>5,680,441</u>	<u>28,943,810</u>	<u>24,387,623</u>
<i>Liabilities:</i>						
Current Liabilities	3,707,959	3,158,639	77,016	84,405	3,784,975	3,243,044
Long-Term Liabilities	2,214,490	2,297,141	2,113,721	2,142,654	4,328,211	4,439,795
Total Liabilities	<u>5,922,449</u>	<u>5,455,780</u>	<u>2,190,737</u>	<u>2,227,059</u>	<u>8,113,186</u>	<u>7,682,839</u>
<i>Net Assets:</i>						
Invested in Capital Assets						
Net of Related Debt	8,531,774	5,760,537	2,887,250	3,010,975	11,419,024	8,771,512
Restricted	7,957,061	6,565,966	0	0	7,957,061	6,565,966
Unrestricted	<u>1,075,199</u>	<u>924,899</u>	<u>379,340</u>	<u>442,407</u>	<u>1,454,539</u>	<u>1,367,306</u>
Total Net Assets	<u>\$17,564,034</u>	<u>\$13,251,402</u>	<u>\$3,266,590</u>	<u>\$3,453,382</u>	<u>\$20,830,624</u>	<u>\$16,704,784</u>

Current and other assets increased in 2003 as the result of an increase in intergovernmental receivables.

Capital assets increased due to the construction of infrastructure in 2003.

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Current liabilities in the governmental activities increased due to two factors. Deferred revenue increased corresponding to increase in intergovernmental receivables and the increase in accounts payable in the General Fund.

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the County, assets exceeded liabilities by \$20,830,624 (\$17,564,034 in governmental activities and \$3,266,590 in business-type activities) at the end of the 2003 year.

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

The County's largest portion of net assets relates to invested in capital assets, net of related debt. This accounts for 54.8 percent of net assets. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to pay these liabilities.

The County's smallest portion of net assets is unrestricted. This accounts for 7.0 percent of net assets. These net assets represent resources that may be used to meet the County's ongoing obligations to its citizens and creditors.

The remaining balance of \$7,957,061 or 38.2 percent is restricted assets. The restricted net assets are subject to external restrictions on how they may be used.

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

Table 2 shows the changes in net assets for fiscal year 2003. Since this is the first year the County has prepared financial statements following GASB Statement No. 34, revenue and expense comparisons to fiscal year 2002 are not available. In future years, when prior year information is available, a comparative analysis of government-wide data will be presented.

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Table 2
Changes in Net Assets

	Governmental	Business-Type	Total
	Activities		
	2003	2003	
<i>Program Revenues:</i>			
Charges for Services	\$1,895,771	\$245,906	\$2,141,677
Operating Grants and Contributions	16,274,076	0	16,274,076
Capital Grants and Contributions	330,227	0	330,227
<i>Total Program Revenues</i>	<u>18,500,074</u>	<u>245,906</u>	<u>18,745,980</u>
<i>General Revenues:</i>			
Property Taxes	2,041,554	0	2,041,554
Sales Taxes	3,776,012	0	3,776,012
Grants & Entitlements	1,122,653	0	1,122,653
Interest	377,376	13,713	391,089
Miscellaneous	2,199,229	5,328	2,204,557
<i>Total General Revenues</i>	<u>9,516,824</u>	<u>19,041</u>	<u>9,535,865</u>
<i>Total Revenues</i>	<u>28,016,898</u>	<u>264,947</u>	<u>28,281,845</u>
<i>Program Expenses:</i>			
<i>General Government:</i>			
Legislative & Executive	2,371,674	0	2,371,674
Judicial	1,127,354	0	1,127,354
Public Safety	3,636,024	0	3,636,024
Public Works	2,693,996	0	2,693,996
Health	3,279,588	0	3,279,588
Human Services	8,935,988	0	8,935,988
Conservation and Recreation	182,899	0	182,899
Economic Development and Assistance	613,191	0	613,191
Other	810,866	0	810,866
Interest and Fiscal Charges	52,686	0	52,686
Bidwell/Porter Sewer	0	353,107	353,107
KAC Sewer	0	367	367
Other Sewer	0	98,265	98,265
<i>Total Program Expenses</i>	<u>23,704,266</u>	<u>451,739</u>	<u>24,156,005</u>
<i>Change in Net Assets</i>	4,312,632	(186,792)	4,125,840
Net Assets at January 1	<u>13,251,402</u>	<u>3,453,382</u>	<u>16,704,784</u>
Net Assets at December 31	<u>\$17,564,034</u>	<u>\$3,266,590</u>	<u>\$20,830,624</u>

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The most significant program expenses for the County are Human Services, Public Safety, Health, Public Works, and Legislative and Executive. These programs account for 88.2 percent of the total governmental activities. Human Services, which accounts for 37.7 percent of the total, represents costs associated with providing services for various state and locally mandated public assistance and welfare programs for families and individuals. These expenses reflect programs administered by Job and Family Services, Child Support Enforcement Agency and Children Services. Public Safety, which represents 15.3 percent of the total, represents costs mainly associated with the operation of the Sheriff's Department and County Jail. Health, which accounts for 13.8 percent of the total, primarily represents costs associated with the services provided by the Board of Mental Retardation. Public Works, which accounts for 11.4 percent of the total, represents costs associated with the operation of the County Engineer in maintaining the County's roads and bridges. Legislative and Executive expenses, which is 10.0 percent of the total, represents costs associated with the general administration of county government including the County Commissioners, Auditor, Treasurer, Prosecutor and Recorder.

Funding for the most significant programs indicated above is from charges for services, operating grants, and in some instances property and sales taxes. The Job and Family Services, Child Support Enforcement Agency and Children Services are basically funded with federal and state monies. The operation of the Sheriff's Department and County Jail is funded through General Fund general revenues and per diem charges to house prisoners from other jurisdictions. The Board of Mental Retardation is partially funded by voted property tax levy. The most significant funding sources for the County Engineer are motor vehicle license fees and gasoline taxes.

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

Table 3
 Governmental Activities

	Total Cost of Services	Net Cost of Services
	2003	2003
<i>General Government:</i>		
Legislative and Executive	\$2,371,674	\$1,373,432
Judicial	1,127,354	736,825
Public Safety	3,636,024	2,848,531
Public Works	2,693,996	(1,521,092)
Health	3,279,588	1,388,631
Human Services	8,935,988	(246,826)
Conservation and Recreation	182,899	(3,581)
Community and Economic Development	613,191	(229,992)
Other	810,866	805,578
Interest and Fiscal Charges	52,686	52,686
 Total Expenses	 \$23,704,266	 \$5,204,192

Of the \$23,704,266 total governmental activities expenses, \$18,500,074 or 78.0 percent was covered by direct charges to users of the services and intergovernmental grants. The majority of program revenues are grants, with the remaining portion consisting of fees and charges for services. These charges are for fees charged for real estate transfers, for the collection of property taxes throughout the County, for title fees and for court fees. Public Safety charges for services include items such as fees for boarding prisoners, patrolling subdivisions, and for special details. Health includes charges for services provided to clients of the Mental Retardation Board.

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

Financial Analysis of the County's Funds

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

As of the end of the current year, the County's governmental funds reported combined ending fund balances of \$5,897,053. Of this total, \$5,366,384 represents unreserved fund balance, which is available for appropriation at the government's discretion within certain legal constraints and purposes restrictions. The remainder of fund balance is reserved to indicate that it is not available for new spending. While a large amount of the governmental fund balances are not reserved in the governmental fund statements, they lead to restricted net assets on the statement of net assets due to their being restricted for use for a particular purpose mandated by the source of the resources such as the state or federal government or the local tax levy.

The General Fund is the chief operating fund of the County. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$1,050,238. Unreserved fund balance represents 16.8 percent of expenditures. This is one measurement of the General Fund's liquidity. The fund balance of the General Fund increased by \$203,132 with revenues exceeding expenditures by \$1,216,884.

The fund balance of the Motor Vehicle and Gas Tax Fund increased by \$294,007. The fund balance of the Job and Family Services Fund decreased by \$239,441. The fund balance of the Board of Mental Retardation Fund increased by \$38,680. The Community Development Block Grant Fund balance decreased by \$793. An increase in expenditures accounts for the majority of these decreases.

Proprietary Fund - The County's only major proprietary fund is the Bidwell/Porter Sewer Fund, which accounts for the providing of sewer services to the Bidwell/Porter area. To date, program revenues have been adequate to cover the costs of the operation. For 2003, the fund had a decrease in fund balance of \$157,852, which represents a 5.2 percent decrease.

Budgetary Highlights - General Fund

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

The County had several revisions to the original appropriations approved by the County Commissioners. Overall these changes resulted in an increase from the original budget of 3.8 percent or \$272,752 in the General Fund. The majority of the increase occurred in the Public Safety and Transfers Out expenditure functions. This increase was largely due to the fact that the various departments kept their spending levels for the original budget low due to budget concerns. The County spent 98.6 percent of the amount appropriated in the General Fund during 2003.

The General Fund's budgeted revenue only decreased \$41,279 or 0.6 percent over the original amount during 2003. This is a result of Gallia County's steady economic conditions. Fluctuations in growth and diversity have typically not occurred in Gallia County, allowing departmental managers the ability to consistently predict revenues. The County does not increase its estimated revenues unless there are insufficient revenues to cover the total appropriations of the General Fund.

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Capital Assets and Debt Administration

Capital Assets

The County's investment in capital assets for its governmental and business-type activities as of December 31, 2003 amounts to \$11,419,024, (net of accumulated depreciation and related debt). This investment in capital assets includes land and improvements, buildings and improvements, improvements other than buildings, machinery and equipment, furniture and fixtures, vehicles, and infrastructure.

**CAPITAL ASSETS AT DECEMBER 31
 (NET OF DEPRECIATION)**

	Governmental Activities		Business – Type	
	2003	2002	2003	2002
Land	\$488,565	\$488,565	\$0	\$0
Land Improvements	47,350	56,928	0	0
Buildings and Improvements	2,729,578	2,691,492	4,965,649	5,116,578
Furniture, Fixtures and Equipment	2,402,436	2,567,698	22,551	26,647
Vehicles	1,076,038	940,332	0	0
Infrastructure	2,578,199	0	0	0
Total	\$9,322,166	\$6,745,015	\$4,988,200	\$5,143,225

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

Debt

General obligation bonds outstanding at December 31, 2003 were \$680,000 with \$615,000 being retired during the year. These bonds relate to proceeds used to construct and renovate County buildings. All bonds are backed by the full faith and credit of the County.

General obligation notes outstanding at December 31, 2003 were \$32,837 with \$48,534 being retired during the year. The County continues to monitor its outstanding debt. Information relative to the County's debt is identified in Note 9 and 10 of the notes to the basic financial statements.

Economic Factors

The County's budget for the General Fund in 2004 is conservative. Revenues are projected to come in slightly less than what was actually received in 2003 and appropriations for 2004 are 5 percent larger than the actual expenditures for 2003. The budget in 2004, calls for a reduction in the ending fund balance.

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

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2003. The rates charged remain unchanged and expenses for sewer operations are anticipated to remain stable.

Requests for Information

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

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Gallia County, Ohio

Statement of Net Assets

December 31, 2003

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Gallia-Meigs Regional Airport	Gallco Industries, Inc.
Assets:					
Equity in Pooled Cash and Cash Equivalents	\$4,992,017	\$456,079	\$5,448,096	\$11,487	\$125,891
Cash and Cash Equivalents in					
Segregated Accounts	35,493	0	35,493	201	0
Materials and Supplies Inventory	337,756	0	337,756	9,248	704
Accrued Interest Receivable	968	0	968	0	0
Accounts Receivable	39,609	13,048	52,657	3,340	4,495
Intergovernmental Receivable	5,591,362	0	5,591,362	0	0
Sales Taxes Receivable	582,571	0	582,571	0	0
Property Taxes Receivable	2,534,714	0	2,534,714	0	0
Prepaid Items	49,827	0	49,827	0	0
Nondepreciable Capital Assets	488,565	0	488,565	0	0
Depreciable Capital Assets, Net	8,833,601	4,988,200	13,821,801	232,871	22,567
<i>Total Assets</i>	<u>23,486,483</u>	<u>5,457,327</u>	<u>28,943,810</u>	<u>257,147</u>	<u>153,657</u>
Liabilities:					
Accounts Payable	369,665	0	369,665	8,560	0
Accrued Wages and Benefits	281,237	1,840	283,077	0	0
Contracts Payable	189,355	0	189,355	0	0
Intergovernmental Payable	593,259	3,942	597,201	0	0
Accrued Interest Payable	3,348	71,234	74,582	0	0
Deferred Revenue	2,238,258	0	2,238,258	0	0
Notes Payable	32,837	0	32,837	0	0
<i>Long-Term Liabilities:</i>					
Due Within One Year	829,535	35,242	864,777	0	0
Due In More Than One Year	1,384,955	2,078,479	3,463,434	0	0
<i>Total Liabilities</i>	<u>5,922,449</u>	<u>2,190,737</u>	<u>8,113,186</u>	<u>8,560</u>	<u>0</u>
Net Assets:					
Invested in Capital Assets, Net of Related Debt	8,531,774	2,887,250	11,419,024	232,871	22,567
<i>Restricted for:</i>					
Roads and Bridges	2,521,774	0	2,521,774	0	0
Human Services	2,216,574	0	2,216,574	0	0
Mental Retardation and Developmental Disabilities	428,597	0	428,597	0	0
Community Development	716,920	0	716,920	0	0
Capital Outlay	23,699	0	23,699	0	0
Other Purposes	2,049,497	0	2,049,497	0	0
Unrestricted	1,075,199	379,340	1,454,539	15,716	131,090
<i>Total Net Assets</i>	<u>\$17,564,034</u>	<u>\$3,266,590</u>	<u>\$20,830,624</u>	<u>\$248,587</u>	<u>\$153,657</u>

See accompanying notes to the basic financial statements.

Gallia County, Ohio
Statement of Activities
For the Year Ended December 31, 2003

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
<i>Current:</i>				
<i>General Government:</i>				
Legislative and Executive	\$2,371,674	\$993,948	\$4,294	\$0
Judicial	1,127,354	390,529	0	0
Public Safety	3,636,024	231,438	556,055	0
Public Works	2,693,996	10,990	3,873,871	330,227
Health	3,279,588	123,129	1,767,828	0
Human Services	8,935,988	145,737	9,037,077	0
Conservation and Recreation	182,899	0	186,480	0
Community and Economic Development	613,191	0	843,183	0
Other	810,866	0	5,288	0
Interest and Fiscal Charges	52,686	0	0	0
<i>Total Governmental Activities</i>	<u>23,704,266</u>	<u>1,895,771</u>	<u>16,274,076</u>	<u>330,227</u>
Business-Type Activities:				
Bidwell/Porter Sewer	353,107	181,516	0	0
KAC Sewer	367	0	0	0
Other Sewer	98,265	64,390	0	0
<i>Total Business-Type Activities</i>	<u>451,739</u>	<u>245,906</u>	<u>0</u>	<u>0</u>
<i>Total Primary Government</i>	<u>\$24,156,005</u>	<u>\$2,141,677</u>	<u>\$16,274,076</u>	<u>\$330,227</u>
Component Units:				
Gallia-Meigs Regional Airport	\$106,586	\$79,174	\$0	\$15,000
Gallco Industries, Inc.	87,242	33,279	55,029	0
<i>Total Component Units</i>	<u>\$193,828</u>	<u>\$112,453</u>	<u>\$55,029</u>	<u>\$15,000</u>

General Revenues:

Property Taxes Levied for:

General Purposes

Board of Mental Retardation

Sales Tax for:

General Purposes

Public Safety

Grants and Entitlements not Restricted to Specific Programs

Investment Earnings

Miscellaneous

Total General Revenues

Changes in Net Assets

Net Assets at Beginning of Year

Net Assets at End of Year

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and Changes in Net Assets				
Primary Government			Component Units	
Governmental Activities	Business-Type Activities	Total	Gallia-Meigs Regional Airport	Gallco Industries, Inc.
(\$1,373,432)	\$0	(\$1,373,432)	\$0	\$0
(736,825)	0	(736,825)	0	0
(2,848,531)	0	(2,848,531)	0	0
1,521,092	0	1,521,092	0	0
(1,388,631)	0	(1,388,631)	0	0
246,826	0	246,826	0	0
3,581	0	3,581	0	0
229,992	0	229,992	0	0
(805,578)	0	(805,578)	0	0
(52,686)	0	(52,686)	0	0
(5,204,192)	0	(5,204,192)	0	0
0	(171,591)	(171,591)	0	0
0	(367)	(367)	0	0
0	(33,875)	(33,875)	0	0
0	(205,833)	(205,833)	0	0
(5,204,192)	(205,833)	(5,410,025)	0	0
0	0	0	(12,412)	0
0	0	0	0	1,066
0	0	0	(12,412)	1,066
1,508,731	0	1,508,731	0	0
532,823	0	532,823	0	0
3,056,610	0	3,056,610	0	0
719,402	0	719,402	0	0
1,122,653	0	1,122,653	0	0
377,376	13,713	391,089	0	0
2,199,229	5,328	2,204,557	2,356	1,205
9,516,824	19,041	9,535,865	2,356	1,205
4,312,632	(186,792)	4,125,840	(10,056)	2,271
13,251,402	3,453,382	16,704,784	258,643	151,386
\$17,564,034	\$3,266,590	\$20,830,624	\$248,587	\$153,657

Gallia County, Ohio
Balance Sheet
Governmental Funds
December 31, 2003

	General	Motor Vehicle and Gas Tax	Job and Family Services	Board of Mental Retardation	Community Development Block Grant	Other Governmental Funds	Total Governmental Funds
Assets:							
Equity in Pooled Cash and Cash Equivalents	\$899,880	\$1,121,065	\$587,937	\$113,035	\$3,950	\$2,266,150	\$4,992,017
Cash and Cash Equivalents in Segregated Accounts	524	0	0	3,253	0	31,716	35,493
Materials and Supplies Inventory	6,452	304,810	11,820	2,337	0	12,337	337,756
Accrued Interest Receivable	968	0	0	0	0	0	968
Accounts Receivable	20,710	0	3,404	0	0	15,495	39,609
Interfund Receivable	16,279	0	0	0	0	250,345	266,624
Intergovernmental Receivable	357,036	1,695,094	2,048,681	465,719	767,449	257,383	5,591,362
Sales Taxes Receivable	466,080	0	0	0	0	116,491	582,571
Property Taxes Receivable	1,569,596	0	0	965,118	0	0	2,534,714
Prepaid Items	49,827	0	0	0	0	0	49,827
<i>Total Assets</i>	<u>\$3,387,352</u>	<u>\$3,120,969</u>	<u>\$2,651,842</u>	<u>\$1,549,462</u>	<u>\$771,399</u>	<u>\$2,949,917</u>	<u>\$14,430,941</u>
Liabilities:							
Accounts Payable	\$100,096	\$112,717	\$80,504	\$4,003	\$33,079	\$39,266	\$369,665
Accrued Wages and Benefits	94,135	33,792	49,342	37,181	0	66,787	281,237
Contracts Payable	4,198	43,155	0	0	21,385	120,617	189,355
Compensated Absences Payable	21,931	8,897	0	0	0	1,278	32,106
Accrued Interest Payable	0	1,081	0	0	0	247	1,328
Interfund Payable	12,663	0	237,682	0	6,835	9,444	266,624
Intergovernmental Payable	167,752	76,657	169,784	59,810	0	119,256	593,259
Deferred Revenue	1,810,588	1,261,866	1,442,081	1,292,431	767,449	193,062	6,767,477
Notes Payable	0	32,837	0	0	0	0	32,837
<i>Total Liabilities</i>	<u>2,211,363</u>	<u>1,571,002</u>	<u>1,979,393</u>	<u>1,393,425</u>	<u>828,748</u>	<u>549,957</u>	<u>8,533,888</u>
Fund Balances:							
Reserved for Encumbrances	4,191	0	0	17,221	0	56,393	77,805
Reserved for Inventory	2,261	304,810	11,820	2,337	0	12,337	333,565
Reserved for Prepaid Items	49,827	0	0	0	0	0	49,827
Reserved for Unclaimed Monies	69,472	0	0	0	0	0	69,472
<i>Unreserved:</i>							
<i>Undesignated, Reported in:</i>							
General Fund	1,050,238	0	0	0	0	0	1,050,238
Special Revenue Funds	0	1,245,157	660,629	136,479	(57,349)	2,322,531	4,307,447
Capital Projects Funds	0	0	0	0	0	8,699	8,699
<i>Total Fund Balances</i>	<u>1,175,989</u>	<u>1,549,967</u>	<u>672,449</u>	<u>156,037</u>	<u>(57,349)</u>	<u>2,399,960</u>	<u>5,897,053</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$3,387,352</u>	<u>\$3,120,969</u>	<u>\$2,651,842</u>	<u>\$1,549,462</u>	<u>\$771,399</u>	<u>\$2,949,917</u>	<u>\$14,430,941</u>

See accompanying notes to the basic financial statements.

Gallia County, Ohio
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 December 31, 2003*

Total Governmental Funds Balances		\$5,897,053
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		9,322,166
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Taxes	296,456	
Intergovernmental Revenue	<u>4,232,763</u>	
Total		4,529,219
In statement of activities, interest is accrued on outstanding debt, whereas in the governmental funds an interest expenditure is reported when due.		(2,020)
Long-term liabilities, including bonds payable and notes payable, are not due and payable in the current period and therefore are not reported in the funds:		
General Obligation Bonds	(680,000)	
Capital Leases Payable	(110,391)	
Compensated Absences Payable	<u>(1,391,993)</u>	
Total		<u>(2,182,384)</u>
<i>Net Assets of Governmental Activities</i>		<u><u>\$17,564,034</u></u>

Gallia County, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2003

	General	Motor Vehicle and Gas Tax	Job and Family Services	Board of Mental Retardation	Community Development Block Grant	All Other Governmental Funds	Total Governmental Funds
Revenues:							
Property Taxes	\$1,625,332	\$0	\$0	\$465,768	\$0	\$0	\$2,091,100
Sales Tax	2,877,467	0	0	0	0	719,402	3,596,869
Charges for Services	982,726	0	0	5,268	0	868,369	1,856,363
Licenses and Permits	3,700	0	0	0	0	0	3,700
Fines and Forfeitures	25,679	9,551	0	0	0	4,178	39,408
Intergovernmental	1,080,674	3,039,560	6,273,527	1,694,339	594,650	3,395,675	16,078,425
Interest	331,408	45,377	0	0	0	591	377,376
Other	535,118	906,868	553,677	61,830	150	144,706	2,202,349
<i>Total Revenues</i>	<u>7,462,104</u>	<u>4,001,356</u>	<u>6,827,204</u>	<u>2,227,205</u>	<u>594,800</u>	<u>5,132,921</u>	<u>26,245,590</u>
Expenditures:							
<i>Current:</i>							
<i>General Government:</i>							
Legislative and Executive	1,869,386	0	0	0	0	394,812	2,264,198
Judicial	887,986	0	0	0	0	211,687	1,099,673
Public Safety	2,288,495	0	0	0	0	1,338,079	3,626,574
Public Works	110,828	3,735,401	0	0	0	843,584	4,689,813
Health	44,063	0	0	2,145,874	0	994,447	3,184,384
Human Services	246,008	0	7,278,979	0	0	1,828,756	9,353,743
Conservation and Recreation	0	0	0	0	0	163,915	163,915
Community and Economic Development	0	0	0	0	595,593	0	595,593
Other	791,924	0	0	0	0	14,762	806,686
Capital Outlay	0	0	0	0	0	380,227	380,227
<i>Debt Service:</i>							
Principal Retirement	5,267	1,770	0	36,867	0	615,000	658,904
Interest and Fiscal Charges	1,263	4,590	0	5,784	0	39,029	50,666
<i>Total Expenditures</i>	<u>6,245,220</u>	<u>3,741,761</u>	<u>7,278,979</u>	<u>2,188,525</u>	<u>595,593</u>	<u>6,824,298</u>	<u>26,874,376</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>1,216,884</u>	<u>259,595</u>	<u>(451,775)</u>	<u>38,680</u>	<u>(793)</u>	<u>(1,691,377)</u>	<u>(628,786)</u>
Other Financing Sources (Uses):							
General Obligation Bonds Issued	0	0	0	0	0	455,000	455,000
Inception of Capital Lease	9,818	0	0	0	0	0	9,818
Transfers In	0	34,412	212,334	0	0	811,236	1,057,982
Transfers Out	(1,023,570)	0	0	0	0	(34,412)	(1,057,982)
<i>Total Other Financing Sources (Uses)</i>	<u>(1,013,752)</u>	<u>34,412</u>	<u>212,334</u>	<u>0</u>	<u>0</u>	<u>1,231,824</u>	<u>464,818</u>
<i>Net Change in Fund Balances</i>	<u>203,132</u>	<u>294,007</u>	<u>(239,441)</u>	<u>38,680</u>	<u>(793)</u>	<u>(459,553)</u>	<u>(163,968)</u>
<i>Fund Balances (Deficit) at Beginning of Year</i>	<u>972,857</u>	<u>1,255,960</u>	<u>911,890</u>	<u>117,357</u>	<u>(56,556)</u>	<u>2,859,513</u>	<u>6,061,021</u>
<i>Fund Balances at End of Year</i>	<u>\$1,175,989</u>	<u>\$1,549,967</u>	<u>\$672,449</u>	<u>\$156,037</u>	<u>(\$57,349)</u>	<u>\$2,399,960</u>	<u>\$5,897,053</u>

See accompanying notes to the basic financial statements.

Gallia County, Ohio
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2003*

Net Change in Fund Balances - Total Governmental Funds (\$163,968)

*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 estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period:

Current Year Additions	3,471,413	
Current Year Depreciation	(854,342)	
Total		2,617,071

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. (39,920)

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

Taxes	129,597	
Intergovernmental Revenue	1,750,575	
Total		1,880,172

Repayment of principal of long-term (e.g. bonds, notes, leases) is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 658,904

Bond proceeds provide current financial resources to governmental funds; however, issuing debt increases long-term liabilities in statement of net assets. In the current period, proceeds were received from general obligation bonds. (455,000)

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

Inception of Capital Leases	(9,818)
-----------------------------	---------

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. (2,020)

Compensated absences expense reported in the statement of activities does not require the use of current financial resources and therefore is not reported as an expenditure in the governmental funds. (172,789)

Change in Net Assets of Governmental Activities \$4,312,632

Gallia County, Ohio
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Year Ended December 31, 2003

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Property Taxes	\$2,168,452	\$2,067,722	\$1,625,332	(\$442,390)
Sales Tax	2,382,262	2,411,831	2,841,869	430,038
Intergovernmental	588,873	596,182	1,085,797	489,615
Interest	316,908	320,842	331,279	10,437
Licenses and Permits	3,679	3,725	3,700	(25)
Fines and Forfeitures	19,160	19,398	16,806	(2,592)
Charges for Services	949,233	961,015	982,266	21,251
Other	529,566	536,139	523,161	(12,978)
<i>Total Revenues</i>	<u>6,958,133</u>	<u>6,916,854</u>	<u>7,410,210</u>	<u>493,356</u>
Expenditures:				
<i>Current:</i>				
<i>General Government:</i>				
Legislative and Executive	2,195,107	1,894,752	1,872,116	22,636
Judicial	904,682	895,119	876,282	18,837
Public Safety	2,103,395	2,315,558	2,305,650	9,908
Public Works	238,086	109,517	108,903	614
Health	57,798	61,088	44,063	17,025
Human Services	236,587	247,316	239,351	7,965
Other	347,192	583,947	845,360	(261,413)
<i>Total Expenditures</i>	<u>6,082,847</u>	<u>6,107,297</u>	<u>6,291,725</u>	<u>(184,428)</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>875,286</u>	<u>809,557</u>	<u>1,118,485</u>	<u>308,928</u>
Other Financing Sources (Uses):				
Advances In	91,060	91,060	91,060	0
Advances Out	0	(586)	(586)	0
Transfers In	10,000	10,000	0	(10,000)
Transfers Out	(1,022,421)	(1,270,137)	(982,583)	287,554
<i>Total Other Financing Sources (Uses)</i>	<u>(921,361)</u>	<u>(1,169,663)</u>	<u>(892,109)</u>	<u>277,554</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses</i>	(46,075)	(360,106)	226,376	586,482
<i>Fund Balance at Beginning of Year</i>	403,698	403,698	403,698	0
<i>Prior Year Encumbrances Appropriated</i>	<u>108,083</u>	<u>108,083</u>	<u>108,083</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u>\$465,706</u>	<u>\$151,675</u>	<u>\$738,157</u>	<u>\$586,482</u>

See accompanying notes to the basic financial statements.

Gallia County, Ohio
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual (Budget Basis)
Motor Vehicle and Gas Tax Fund
For the Year Ended December 31, 2003

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$2,339,201	\$3,084,011	\$2,984,671	(\$99,340)
Interest	30,340	40,000	45,377	5,377
Fines and Forfeitures	8,343	11,000	9,551	(1,449)
Other	666,314	878,471	906,868	28,397
<i>Total Revenues</i>	<u>3,044,198</u>	<u>4,013,482</u>	<u>3,946,467</u>	<u>(67,015)</u>
Expenditures:				
<i>Current:</i>				
Public Works	3,180,617	4,070,658	3,786,192	284,466
<i>Debt Service:</i>				
Principal Retirements	31,363	31,363	31,363	0
Interest and Fiscal Charges	3,049	3,049	3,049	0
<i>Total Expenditures</i>	<u>3,215,029</u>	<u>4,105,070</u>	<u>3,820,604</u>	<u>284,466</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(170,831)</u>	<u>(91,588)</u>	<u>125,863</u>	<u>217,451</u>
Other Financing Sources (Uses):				
Transfers In	26,101	34,412	34,412	0
<i>Total Other Financing Sources (Uses)</i>	<u>26,101</u>	<u>34,412</u>	<u>34,412</u>	<u>0</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses</i>	<u>(144,730)</u>	<u>(57,176)</u>	<u>160,275</u>	<u>217,451</u>
<i>Fund Balance at Beginning of Year</i>	871,838	871,838	871,838	0
Prior Year Encumbrances Appropriated	35,629	35,629	35,629	0
<i>Fund Balance at End of Year</i>	<u><u>\$762,737</u></u>	<u><u>\$850,291</u></u>	<u><u>\$1,067,742</u></u>	<u><u>\$217,451</u></u>

See accompanying notes to the basic financial statements.

Gallia County, Ohio
*Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual (Budget Basis)
Job and Family Services Fund
For the Year Ended December 31, 2003*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$5,263,206	\$6,394,209	\$6,518,848	\$124,639
Other	491,146	596,688	562,571	(34,117)
<i>Total Revenues</i>	<u>5,754,352</u>	<u>6,990,897</u>	<u>7,081,419</u>	<u>90,522</u>
Expenditures:				
<i>Current:</i>				
Human Services	6,073,312	7,531,636	7,253,739	277,897
<i>Total Expenditures</i>	<u>6,073,312</u>	<u>7,531,636</u>	<u>7,253,739</u>	<u>277,897</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(318,960)</u>	<u>(540,739)</u>	<u>(172,320)</u>	<u>368,419</u>
Other Financing Sources (Uses):				
Transfers In	217,982	264,824	212,334	(52,490)
<i>Total Other Financing Sources (Uses)</i>	<u>217,982</u>	<u>264,824</u>	<u>212,334</u>	<u>(52,490)</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses</i>	(100,978)	(275,915)	40,014	315,929
<i>Fund Balance at Beginning of Year</i>	161,812	161,812	161,812	0
Prior Year Encumbrances Appropriated	310,982	310,982	310,982	0
<i>Fund Balance at End of Year</i>	<u><u>\$371,816</u></u>	<u><u>\$196,879</u></u>	<u><u>\$512,808</u></u>	<u><u>\$315,929</u></u>

See accompanying notes to the basic financial statements.

Gallia County, Ohio
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual (Budget Basis)
Board of Mental Retardation Fund
For the Year Ended December 31, 2003

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property Taxes	\$788,791	\$635,878	\$465,768	(\$170,110)
Intergovernmental	1,231,892	1,352,840	1,720,818	367,978
Charges for Services	1,480	1,992	3,576	1,584
Other	134,497	181,085	59,865	(121,220)
<i>Total Revenues</i>	<u>2,156,660</u>	<u>2,171,795</u>	<u>2,250,027</u>	<u>78,232</u>
Expenditures:				
<i>Current:</i>				
Health	1,941,079	2,204,619	2,189,085	15,534
<i>Total Expenditures</i>	<u>1,941,079</u>	<u>2,204,619</u>	<u>2,189,085</u>	<u>15,534</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses</i>	215,581	(32,824)	60,942	93,766
<i>Fund Balance at Beginning of Year</i>	11,520	11,520	11,520	0
Prior Year Encumbrances Appropriated	21,205	21,205	21,205	0
<i>Fund Balance at End of Year</i>	<u>\$248,306</u>	<u>(\$99)</u>	<u>\$93,667</u>	<u>\$93,766</u>

See accompanying notes to the basic financial statements.

Gallia County, Ohio
*Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual (Budget Basis)
Community Development Block Grant Fund
For the Year Ended December 31, 2003*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$0	\$1,423,499	\$656,050	(\$767,449)
Other	0	150	150	0
<i>Total Revenues</i>	0	1,423,649	656,200	(767,449)
Expenditures:				
<i>Current:</i>				
Community and Economic Development	610,442	1,281,257	563,661	717,596
<i>Total Expenditures</i>	610,442	1,281,257	563,661	717,596
<i>Excess of Revenues Over (Under) Expenditures</i>	(610,442)	142,392	92,539	(49,853)
Other Financing Sources (Uses):				
Advances In	0	0	15	15
Transfers Out	0	(51,267)	0	51,267
Advances Out	0	0	(88,605)	(88,605)
<i>Total Other Financing Sources (Uses)</i>	0	(51,267)	(88,590)	(37,323)
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses</i>	(610,442)	91,125	3,949	(87,176)
<i>Fund Balance at Beginning of Year</i>	1	1	1	0
<i>Fund Balance at End of Year</i>	(\$610,441)	\$91,126	\$3,950	(\$87,176)

See accompanying notes to the basic financial statements.

Gallia County, Ohio
Statement of Fund Net Assets
Proprietary Funds
December 31, 2003

	Bidwell/Porter Sewer	All Other Enterprise Funds	Totals
Assets:			
<i>Current Assets:</i>			
Equity in Pooled Cash and Cash Equivalents	\$436,039	\$20,040	\$456,079
Accounts Receivable	5,401	7,647	13,048
<i>Total Current Assets</i>	<u>441,440</u>	<u>27,687</u>	<u>469,127</u>
<i>Noncurrent Assets:</i>			
Depreciable Capital Assets, Net	4,607,894	380,306	4,988,200
<i>Total Noncurrent Assets</i>	<u>4,607,894</u>	<u>380,306</u>	<u>4,988,200</u>
<i>Total Assets</i>	<u>5,049,334</u>	<u>407,993</u>	<u>5,457,327</u>
Liabilities:			
<i>Current Liabilities:</i>			
Accrued Wages and Benefits	786	1,054	1,840
Compensated Payable	0	2,942	2,942
Intergovernmental Payable	1,711	2,231	3,942
Accrued Interest Payable	71,234	0	71,234
OPWC Loans Payable	11,500	0	11,500
Revenue Bonds Payable	20,800	0	20,800
<i>Total Current Liabilities</i>	<u>106,031</u>	<u>6,227</u>	<u>112,258</u>
<i>Noncurrent Liabilities:</i>			
Compensated Payable	0	9,829	9,829
OPWC Loans Payable	201,250	0	201,250
Revenue Bonds Payable	1,867,400	0	1,867,400
<i>Total Noncurrent Liabilities</i>	<u>2,068,650</u>	<u>9,829</u>	<u>2,078,479</u>
<i>Total Liabilities</i>	<u>2,174,681</u>	<u>16,056</u>	<u>2,190,737</u>
Net Assets:			
Invested in Capital Assets, Net of Related Debt	2,506,944	380,306	2,887,250
Unrestricted	367,709	11,631	379,340
<i>Total Net Assets</i>	<u>\$2,874,653</u>	<u>\$391,937</u>	<u>\$3,266,590</u>

See accompanying notes to the basic financial statements.

Gallia County, Ohio
*Statement of Revenues,
Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2003*

	Bidwell/Porter Sewer	All Other Enterprise Funds	Totals
Operating Revenues:			
Charges for Services	\$181,516	\$64,390	\$245,906
<i>Total Operating Revenues</i>	181,516	64,390	245,906
Operating Expenses:			
Personal Services	37,513	46,883	84,396
Contractual Services	18,405	30,479	48,884
Materials and Supplies	6,943	6,100	13,043
Depreciation	146,080	8,945	155,025
Other	55,828	6,225	62,053
<i>Total Operating Expenses</i>	264,769	98,632	363,401
<i>Operating Income (Loss)</i>	(83,253)	(34,242)	(117,495)
Nonoperating Revenues (Expenses):			
Interest Income	13,713	0	13,713
Other Non-Operating Revenues	26	5,302	5,328
Interest and Fiscal Charges	(85,113)	0	(85,113)
Other Non-Operating Expenses	(3,225)	0	(3,225)
<i>Total Nonoperating Revenues (Expenses)</i>	(74,599)	5,302	(69,297)
<i>Change in Net Assets</i>	(157,852)	(28,940)	(186,792)
<i>Net Assets at Beginning of Year</i>	3,032,505	420,877	3,453,382
<i>Net Assets at End of Year</i>	\$2,874,653	\$391,937	\$3,266,590

See accompanying notes to the basic financial statements.

Gallia County, Ohio
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2003

	Bidwell/Porter Sewer	All Other Enterprise Funds	Total
Increase (Decrease) in Cash and Cash Equivalents			
Cash Flows from Operating Activities:			
Cash Received from Customers	\$194,226	\$95,531	\$289,757
Cash Payments to Employees	(39,446)	(43,066)	(82,512)
Cash Payments for Goods and Services	(25,348)	(42,738)	(68,086)
Other Cash Payments	(55,828)	(6,225)	(62,053)
Other Nonoperating Cash Receipts	26	5,302	5,328
Other Nonoperating Cash Payments	(3,225)	0	(3,225)
<i>Net Cash from Operating Activities</i>	<u>70,405</u>	<u>8,804</u>	<u>79,209</u>
Cash Flows from Capital and Related Financing Activities:			
Principal Paid on Notes and Loans	(31,300)	0	(31,300)
Interest Paid on Notes and Loans	(85,860)	0	(85,860)
Payments for Capital Acquisitions	(3,461)	0	(3,461)
<i>Net Cash from Capital and Related Financing Activities</i>	<u>(120,621)</u>	<u>0</u>	<u>(120,621)</u>
Cash Flows from Investing Activities:			
Interest Received on Investments	13,713	0	13,713
<i>Net Cash from Investing Activities</i>	<u>13,713</u>	<u>0</u>	<u>13,713</u>
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	(36,503)	8,804	(27,699)
<i>Cash and Cash Equivalents at Beginning of Year</i>	<u>472,542</u>	<u>11,236</u>	<u>483,778</u>
<i>Cash and Cash Equivalents at End of Year</i>	<u>\$436,039</u>	<u>\$20,040</u>	<u>\$456,079</u>
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities			
Operating Gain (Loss)	(\$83,253)	(\$34,242)	(\$117,495)
<i>Adjustments:</i>			
Depreciation	146,080	8,945	155,025
Nonoperating Revenues	26	5,302	5,328
Nonoperating Expenses	(3,225)	0	(3,225)
<i>(Increase) Decrease in Assets:</i>			
Accounts Receivable	(4,890)	21,345	16,455
Interfund Receivable	17,600	9,796	27,396
<i>Increase (Decrease) in Liabilities:</i>			
Accounts Payable	0	(2,872)	(2,872)
Contracts Payable	0	(3,287)	(3,287)
Accrued Wages and Benefits	786	1,054	1,840
Compensated Absences Payable	0	2,367	2,367
Intergovernmental Payable	(2,719)	396	(2,323)
<i>Net Cash from Operating Activities</i>	<u>\$70,405</u>	<u>\$8,804</u>	<u>\$79,209</u>

See accompanying notes to the basic financial statements.

Gallia County, Ohio
Statement of Fiduciary Net Assets
Fiduciary Funds
December 31, 2003

	Agency
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$1,965,740
Cash and Cash Equivalents in Segregated Accounts	188,626
Investments in Segregated Accounts	1,235,161
Accounts Receivable	268,266
Intergovernmental Receivable	3,709,479
Property Taxes Receivable	14,922,366
Special Assessments Receivable	4,857
<i>Total Assets</i>	\$22,294,495
Liabilities:	
Intergovernmental Payable	\$14,788,495
Deposits Held and Due To Others	100,815
Undistributed Monies	7,405,185
<i>Total Liabilities</i>	\$22,294,495

See accompanying notes to the basic financial statements.

Gallia County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

NOTE 1 - DESCRIPTION OF GALLIA COUNTY AND REPORTING ENTITY

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

Reporting Entity

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

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

Discretely Presented Components Units

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

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

Gallia County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

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

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

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

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

The County is associated with the following organizations that are defined as jointly governed organizations, related organizations or risk management pools. These organizations are presented in Notes 19, 20 and 21 to the basic financial statements.

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

Gallia County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

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

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

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

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

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

Gallia County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

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

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

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

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

B. Fund Accounting

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

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

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

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

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

Gallia County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

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

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

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

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

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

Bidwell/Porter Sewer Fund - The Bidwell/Porter Sewer Fund accounts for the operation of the Bidwell/Porter Sewer System.

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

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

C. Measurement Focus

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

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

Gallia County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

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

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

D. Basis of Accounting

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

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

Nonexchange transactions, in which the County receives value without directly giving equal value in return, include sales taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from sales taxes is recognized in the period in which the taxable sale takes place. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 12). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the County must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the County on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

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

Property taxes for which there is an enforceable legal claim as of December 31, 2003, but which were levied to finance fiscal year 2004 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Gallia County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

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

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

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

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

F. Cash, Cash Equivalents, and Investments

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

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

During 2003, investments were limited to STAR Ohio, U.S. Government Securities, and other interest bearing accounts with local commercial banks.

Investments are reported at fair value, except for U.S. Government Securities and nonnegotiable certificates of deposit which are reported at cost. Fair value is based on quoted market prices.

Gallia County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

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

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 distributed by the County to the General Fund, Motor Vehicle Gas Tax Fund, and the Children Services Trust Fund. Interest revenue credited to the General Fund during 2003 amounted to \$331,408, which includes \$288,078 assigned from other County funds.

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

G. Inventory

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

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

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2003, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

I. Capital Assets

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

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

Gallia County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

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

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

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Buildings	20-40 years	20-40 years
Improvements Other Than Buildings	20 years	20 years
Machinery and Equipment	10-15 years	10-15 years
Furniture and Fixtures	5-20 years	5-20 years
Vehicles	8 years	8 years
Infrastructure	10-40 years	n/a

J. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental and business-type activities columns of the statement of net assets, except for any net residual amounts due between governmental and business-type activities, which are presented as internal receivables and payables. As of December 31, 2003, there were no internal receivables and payables to report on the statement of net assets.

K. Compensated Absences

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

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

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

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

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

Gallia County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

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

L. Accrued Liabilities and Long-term Obligations

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

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

M. Fund Balance Reserves

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

N. Net Assets

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

O. Operating Revenues and Expenses

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

Gallia County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

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

P. Interfund Transactions

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

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

Q. 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. Neither type of transaction occurred during 2003.

R. 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 - BUDGETARY BASIS OF ACCOUNTING

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

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

Gallia County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING *(Continued)*

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

	Net Change in Fund Balances				
	General	Motor Vehicle and Gas Tax	Job and Family Services	Board of Mental Retardation	Community Development Block Grant
GAAP Basis	\$203,132	\$294,007	(\$239,441)	\$38,680	(\$793)
<i>Adjustments:</i>					
Net Adjustment for Revenue Accruals	(51,894)	(54,889)	254,215	22,822	61,400
Net Adjustment for Expenditure Accruals	(176,864)	(131,428)	(49,889)	(19,927)	31,932
Encumbrances	130,359	52,585	75,129	19,367	0
Net Adjustment for Other Sources (Uses)	121,643	0	0	0	(88,590)
Budget Basis	\$226,376	\$160,275	\$40,014	\$60,942	\$3,949

NOTE 4 - CHANGES IN ACCOUNTING BASIS AND RESTATEMENTS

A. Changes in Accounting Basis

For the year 2003, the County implemented GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments," GASB Statement No. 37, "Basic Financial Statements for State and Local Governments: Omnibus," GASB Statement No. 38, "Certain Financial Statement Note Disclosures," and GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements." At December 31, 2002, there was no effect on fund balance/equity as a result of implementing GASB Statement Nos. 37 and 38, and GASB Interpretation No. 6.

GASB Statement No. 34 creates new basic financial statements for reporting on the County's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statements present the County's programs as governmental and business-type activities. The beginning net asset amount for governmental and business-type programs reflect the change in fund balance/equity at December 31, 2002, caused by the conversion to the accrual basis of accounting.

Gallia County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

NOTE 4 - CHANGES IN ACCOUNTING BASIS AND RESTATEMENTS (Continued)

B. Restatement of Fund Balance/Equity

The restatements for fund reclassifications and GASB Statement No. 34 had the following effects on fund balance/equity of the major and nonmajor funds of the County as they were previously reported.

	General	Motor Vehicle and Gas Tax	Job and Family Services	Board of Mental Retardation	Community Development Block Grant	Nonmajor	Total Governmental Activities
Governmental Activities:							
Fund Balance at December 31, 2002	\$972,857	\$1,255,960	\$911,890	\$117,357	(\$56,556)	\$2,859,513	\$6,061,021
<i>GASB 34 Adjustments:</i>							
Intergovernmental Receivable							2,482,188
Taxes Receivable							166,859
Capital Assets							6,745,015
<i>Long-Term Obligations:</i>							
General Obligation Bonds Payable							(840,000)
Compensated Absences							(1,219,204)
Capital Leases							(144,477)
Net Assets at December 31, 2002							\$13,251,402

NOTE 5 - CASH, DEPOSITS AND INVESTMENTS

A. Primary Government

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

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

1. United States treasury notes, bills, bonds or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

Gallia County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

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

3. Written repurchase agreements in the securities listed above provide that the fair value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to value daily, and that the term of the agreement must not exceed thirty days;
4. Bond and other obligations of the State of Ohio or its political subdivisions, provided that such political subdivisions are located wholly or partly within the County;
5. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investment in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAROhio);
8. Securities lending agreements in which the County lends securities and the eligible institution agrees to exchange either securities described in division (1) or (2) or cash or both securities and cash, equal value for equal value;
9. High grade commercial paper in an amount that does not exceed five percent of the County's total average portfolio; and
10. Bankers acceptances for a period not to exceed 270 days and in an amount not to exceed ten percent of the County's total average portfolio.

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

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

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

Gallia County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

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

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

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

At year-end, the County had \$8,945 of undeposited cash on hand which is included on the financial statements of the County as part of “Equity in Pooled Cash and Cash Equivalents.”

Deposits: At year-end, the carrying amount of the County’s deposits was \$8,765,230 and the bank balance was \$9,529,245. Of the bank balance, \$1,545,154 was covered by federal depository insurance. The remaining amounts were uninsured and uncollateralized. Although the balance was collateralized by securities held by the financial institutions’ trust department in the County’s name and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements would potentially subject the County to a successful claim by the Federal Deposit Insurance Corporation.

GASB Statement No. 3 “Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements,” requires that local governments disclose the carrying amounts and fair value of investments, classified by risk. The County’s investments are categorized as either (1) insured or registered or for which the securities are held by the County or its agent in the County’s name, (2) uninsured and unregistered for which the securities are held by the counterparty’s trust department or agent in the County’s name or (3) uninsured and unregistered for which the securities are held by the counterparty, or by its trust department or agent but not in the County’s name. STAROhio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	Category 3	Unclassified	Carrying and Fair Value
U.S. Treasury Bonds	\$236,520	\$0	\$236,520
Total Investments	\$236,520	\$0	\$236,520

Gallia County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

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

The classification of cash and cash equivalents and investments on the financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and investments on the basic financial statements and the classifications per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents	Investments
GASB Statement No. 9	\$7,775,534	\$1,235,161
Cash on Hand	(8,945)	0
<i>Investments:</i>		
Certificates of Deposit	998,641	(998,641)
GASB Statement No. 3	\$8,765,230	\$236,520

B. Component Units

Deposits and Investments

Cash and cash equivalents held by Gallco Industries, Inc. and the Gallia-Meigs Regional Airport Authority are classified as “cash and cash equivalents in segregated accounts.”

(1) Gallco Industries, Inc.

At year end, the carrying amount of Gallco Industries, Inc. deposits was \$125,891 and the bank balance was \$117,550. Deposits are insured by Federal Depository Insurance Corporation. There are no statutory guidelines regarding the deposit and investment of funds by the non-profit corporation.

(2) Gallia-Meigs Regional Airport Authority

At year end, the carrying amount of the Gallia-Meigs Regional Airport Authority deposits was \$11,688 and the bank balance was \$11,688. The entire bank balance was covered by federal depository insurance.

Gallia County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

NOTE 6 - INTERFUND TRANSACTIONS

Interfund balances at December 31, 2003, consist of the following receivables and payables:

	Interfund Receivables	Interfund Payable
General	\$16,279	\$12,663
Job and Family Services	0	237,682
Community Development Block Grant	0	6,835
Nonmajor Special Revenue Funds	250,345	9,444
Totals	\$266,624	\$266,624

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

A summary of interfund transfers for 2003 were as follows:

Transfers Out	Transfers In					Totals
	General	Motor Vehicle & Gas Tax	Job and Family Services	Nonmajor Special Revenue Funds	Nonmajor Debt Service Funds	
General	\$0	\$0	\$212,334	\$571,236	\$240,000	\$1,023,570
Nonmajor Debt Service Funds	0	34,412	0	0	0	34,412
Totals	\$0	\$34,412	\$212,334	\$571,236	\$240,000	\$1,057,982

In fiscal year 2003, the County made four transfers of \$100,000 each from the General Fund to the Emergency Medical Services Fund to subsidize the program services and transferred \$240,000 from the General Fund to the Bond Retirement Debt Service Fund for the payment of bonds.

Gallia County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

NOTE 7 - RECEIVABLES

Receivables at December 31, 2003 consisted of property taxes, sales taxes, accounts (billings for user charged services), interest and intergovernmental grants. All receivables are considered fully collectible.

A summary of the principal items of intergovernmental receivable follows:

Governmental Activities	
<i>General Fund:</i>	
Local Government Distributions	\$270,154
State Property Tax Reimbursements	72,822
Other Grants and Reimbursements	<u>14,060</u>
Total General Fund	357,036
Motor Vehicle and Gas Tax	1,695,094
Job and Family Services	2,048,681
Board of Mental Retardation	465,719
Community Development Block Grant	767,449
Nonmajor Special Revenue Funds	<u>257,383</u>
Total Intergovernmental Receivable	<u><u>\$5,591,362</u></u>
Fiduciary Funds	
Agency Funds	<u>\$3,709,479</u>
Total Intergovernmental Receivable	<u><u>\$3,709,479</u></u>

Gallia County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

NOTE 8 - CAPITAL ASSETS

A summary of changes in general capital assets during 2003 were as follows:

	Restated Balance January 1, 2003	Additions	Deletions	Balance December 31, 2003
Governmental Activities:				
<i>Nondepreciable Capital Assets:</i>				
Land	\$488,565	\$0	\$0	\$488,565
Total Nondepreciable Capital Assets	488,565	0	0	488,565
<i>Depreciable Capital Assets:</i>				
Land Improvements	270,541	0	0	270,541
Buildings and Improvements	6,498,458	192,342	0	6,690,800
Furniture, Fixtures and Equipment	4,747,409	281,516	(137,144)	4,891,781
Vehicles	1,084,215	297,403	0	1,381,618
Infrastructure	0	2,700,152	0	2,700,152
Total Depreciable Capital Assets	12,600,623	3,471,413	(137,144)	15,934,892
<i>Accumulated Depreciation:</i>				
Land Improvements	(213,613)	(9,578)	0	(223,191)
Buildings and Improvements	(3,806,966)	(154,256)	0	(3,961,222)
Furniture, Fixtures and Equipment	(2,179,711)	(406,858)	97,224	(2,489,345)
Vehicles	(143,883)	(161,697)	0	(305,580)
Infrastructure	0	(121,953)	0	(121,953)
Total Accumulated Depreciation	(6,344,173)	(854,342)	97,224	(7,101,291)
Depreciable Capital Assets, Net	6,256,450	2,617,071	(39,920)	8,833,601
Governmental Activities Capital Assets, Net	\$6,745,015	\$2,617,071	(\$39,920)	\$9,322,166

Gallia County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

NOTE 8 - CAPITAL ASSETS *(Continued)*

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

Governmental Activities	
<i>General Government:</i>	
Legislative and Executive	\$141,908
Judicial	13,110
Public Safety	91,216
Public Works	453,392
Health	46,789
Human Services	64,525
Conservation and Recreation	18,984
Community and Economic Development	24,418
Governmental Activities Depreciation Expense	\$854,342

	Balance January 1, 2003	Additions	Deletions	Balance December 31, 2003
Business-Type Activities:				
<i>Depreciable Capital Assets:</i>				
Buildings and Improvements	6,031,138	0	0	6,031,138
Furniture, Fixtures and Equipment	105,122	0	0	105,122
Total Depreciable Capital Assets	6,136,260	0	0	6,136,260
<i>Accumulated Depreciation:</i>				
Buildings and Improvements	(914,560)	(150,929)	0	(1,065,489)
Furniture, Fixtures and Equipment	(78,475)	(4,096)	0	(82,571)
Total Accumulated Depreciation	(993,035)	(155,025)	0	(1,148,060)
Depreciable Capital Assets, Net	5,143,225	(155,025)	0	4,988,200
Business-Type Activities Capital Assets, Net	\$5,143,225	(\$155,025)	\$0	\$4,988,200

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

Gallia County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

NOTE 9 - LONG-TERM OBLIGATIONS

The County's long-term obligations activity for the year ended December 31, 2003, was as follows:

Purpose	Outstanding January 1, 2003	Additions	Deletions	Outstanding December 31, 2003	Amounts Due Within One Year
Governmental Activities:					
<i>General Obligation Bonds Payable:</i>					
Solid Waste Recycling 1998-2012 4.95%	\$250,000	\$0	\$20,000	\$230,000	\$20,000
Permanent Improvement 1999-2002 5.10%	200,000	0	200,000	0	0
Permanent Improvement 2000-2006 5.75%	390,000	0	390,000	0	0
County Building 2003-2010 2.90%	0	390,000	5,000	385,000	55,000
Parking Lot Expansion 2003-2010 3.12%	0	65,000	0	65,000	6,500
<i>Other Long-Term Obligations:</i>					
Compensated Absences	1,312,664	833,784	722,349	1,424,099	692,979
Capital Leases	144,477	9,818	43,904	110,391	55,056
Governmental Activities Long-Term Obligations	\$2,297,141	\$1,298,602	\$1,381,253	\$2,214,490	\$829,535

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

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

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

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

Gallia County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

NOTE 9 - LONG-TERM OBLIGATIONS (Continued)

Year Ended December 31,	Solid Waste Recycling Bond	County Building Bond	Parking Lot Expansion Bond
2004	\$31,385	\$66,165	\$8,528
2005	30,395	64,570	8,325
2006	34,405	62,975	8,122
2007	33,167	61,380	7,920
2008	31,930	59,785	7,717
2009 - 2013	129,603	114,785	35,542
Total Payments	290,885	429,660	76,154
Interest	(60,885)	(44,660)	(11,154)
Total Principal	<u>\$230,000</u>	<u>\$385,000</u>	<u>\$65,000</u>

Purpose	Outstanding January 1, 2003	Additions	Deletions	Outstanding December 31, 2003	Amounts Due Within One Year
Business-Type Activities:					
<i>Long-Term Loans Payable:</i>					
OPWC Loan Payable 2002-2022 0.00%	\$224,250	\$0	\$11,500	\$212,750	\$11,500
<i>Revenue Bonds:</i>					
Sewer Improvements Bonds 2001-2040 4.50%	207,900	0	2,100	205,800	2,600
Sewer Improvements Bonds 2001-2040 4.50%	1,700,100	0	17,700	1,682,400	18,200
Compensated Absences	10,404	2,367	0	12,771	2,942
Business-Type Activities Long-Term Obligations	<u>\$2,142,654</u>	<u>\$2,367</u>	<u>\$31,300</u>	<u>\$2,113,721</u>	<u>\$35,242</u>

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

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

Gallia County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

NOTE 9 - LONG-TERM OBLIGATIONS *(Continued)*

The annual requirements to amortize long-term loan and bond obligations outstanding as of December 31, 2003 are as follows:

For the Year Ended December 31,	OPWC Loans	Sewer Improvement Bonds
2004	\$5,750	\$105,769
2005	11,500	105,733
2006	11,500	105,656
2007	11,500	105,740
2008	11,500	105,673
2009 - 2013	57,500	528,548
2014 - 2018	57,500	528,532
2019 - 2023	46,000	528,457
2024-2028	0	528,602
2029-2033	0	528,538
2034-2038	0	528,490
2039-2040	0	211,460
Total Payments	212,750	3,911,198
Interest	0	(2,022,998)
Total Principal	<u>\$212,750</u>	<u>\$1,888,200</u>

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

The County's overall legal debt margin was \$12,394,264 at December 31, 2003.

Pursuant to State statute, various industrial revenue bonds have been issued by private industry within Gallia County. The proceeds of the industrial revenue bonds are used by the various private industries for new construction or improvements. The bonds are to be repaid by the recipients of the proceeds and do not represent an obligation of the County. As of December 31, 2003, there is \$26,940,000 in industrial revenue bond issues of which \$20,991,142 remains outstanding.

Gallia County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

NOTE 10 - NOTES PAYABLE

A summary of the note transactions for the year ended December 31, 2003, follows:

Purpose	Outstanding January 1, 2003	Additions	Deletions	Outstanding December 31, 2003
Governmental Activities:				
<i>General Obligation Notes Payable:</i>				
Chip Shredder 1999-2004 4.75%	\$64,200	\$0	\$31,363	\$32,837
Airport Construction 2002-2003 3.50%	17,171	0	17,171	0
Total General Obligation Notes Payable	\$81,371	\$0	\$48,534	\$32,837

The airport construction and the chipshredder notes are backed by the full faith and credit of Gallia County. The chipshredder notes will be paid with Motor Vehicle Gasoline Tax Fund revenues.

For the Year Ended December 31,	Chip Shredder Note
2004	\$34,412
Total Payments	34,412
Interest	(1,575)
Total Principal	<u>\$32,837</u>

NOTE 11 - CAPITALIZED LEASES - LESSEE DISCLOSURE

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

Gallia County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

NOTE 11 - CAPITALIZED LEASES - LESSEE DISCLOSURE *(Continued)*

The following is a schedule of the future minimum lease payments under lease obligations which have been capitalized as of December 31, 2003.

For the Year Ended December 31,	Capital Lease Obligations
2004	\$55,056
2005	53,385
2006	9,820
2007	3,428
2008	857
Total Minimum Lease Payments	122,546
Less: Amount Representing Interest	(12,155)
Present Value of Minimum Lease Payments	\$110,391

NOTE 12 - PROPERTY TAXES

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

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

Gallia County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

NOTE 12 - PROPERTY TAXES *(Continued)*

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

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

Accrued property taxes receivable represent delinquent taxes outstanding and real, tangible personal, and public utility taxes that were measurable and unpaid as of December 31, 2003. Although total property tax collections for the next fiscal year are measurable, amounts to be received during the available period are not subject to reasonable estimation at December 31 and are not intended to finance 2003 operations. The receivable is therefore offset by a credit to deferred revenue.

The full tax rate for all County operations for the year ended December 31, 2003, was \$6.00 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2003 property tax receipts were based are as follows:

<u>Category</u>	<u>Assessed Value</u>
<i>Real Estate:</i>	
Agriculture	\$62,852,340
Residential	187,466,460
Commercial	102,528,330
Industrial	3,783,780
Minerals	447,960
<i>Personal Property:</i>	
General	84,047,460
Public Utilities	143,157,690
Total Assessed Values	<u><u>\$584,284,020</u></u>

Gallia County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

NOTE 13 - PERMISSIVE SALES TAX

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

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

On November 17, 1981, the County Commissioners adopted by resolution a one half percent permissive sales tax as allowed by Sections 5739.026 and 5741.023, Revised Code. On December 29, 1994, the County Commissioners, by recommendation of the State of Ohio Tax Commissioner, repealed one quarter of one percent of the one half of one percent permissive sales tax under Revised Code Sections 5739.026 and 5741.023 and replaced it with a one quarter of one percent under Revised Code Section 5739.021. On March 5, 1987, the County Commissioners adopted by resolution a proposal for an additional one half percent permissive sales tax as allowed by Sections 5705.026 and 5705.023, Revised Code, which was voted upon at a special election held on May 5, 1987, at which time the proposal passed. On August 18, 1994, the County Commissioners adopted by resolution a proposal for an addition on quarter of one percent sales and use tax, for the implementation of 9-1-1 for Gallia County, as allowed by Sections 5739.026 and 5741.023 of the Revised Code, which was voted upon on November 8, 1994, at which time the proposal passed. In 2003, the General Fund received \$2,877,467 and the 9-1-1 Special Revenue Fund received \$719,402 in sales and use tax revenue. Sales and use tax revenue is recognized when it is measurable and available.

NOTE 14 - ACCOUNTABILITY AND COMPLIANCE

A. Accountability

The following funds had deficit fund balances as of December 31, 2003:

Community Development Block Grant	\$57,349
<i>Nonmajor Special Revenue Funds:</i>	
Dog and Kennel	3,350

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

B. Compliance

The following fund had appropriations in excess of estimated resources plus available balances for the fiscal year ended December 31, 2003:

Fund Type/Fund	Estimated Resources	Appropriations	Excess
Board of Mental Retardation Fund	\$2,204,520	\$2,204,619	(\$99)

Gallia County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

NOTE 15 - RISK MANAGEMENT

The County is exposed to various risks of loss related to torts, theft or damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During 2003, the County contracted with County Risk Sharing Authority (CORSA), a jointly governed organization, for liability, property, and crime insurance. The CORSA program has a \$2,500 deductible.

Coverages provided by the program are as follows:

Property:

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

Liability:

General Liability	\$1,000,000
Public Officials	1,000,000
Law Enforcement	1,000,000
Excess Liability	5,000,000
Automobile	1,000,000
Uninsured/Underinsured Motorist	250,000

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

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

NOTE 16 - DEFINED BENEFIT RETIREMENT PLANS

A. Ohio Public Employees Retirement System

The County participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional 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% 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 that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

Gallia County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

NOTE 16 - DEFINED BENEFIT RETIREMENT PLANS *(Continued)*

OPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members of the traditional and combination plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone, publicly available annual financial report that includes financial statements and required supplemental information. This report may be obtained by writing to Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6705.

For the year ended December 31, 2003, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary; members in public safety contributed 9 percent. The County's contribution rate for pension benefits for 2003 was 8.55 percent, except for those plan members in law enforcement or public safety. For those classifications, the County's pension contributions were 11.7 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions. The County's required contributions for pension obligations for the years ending December 31, 2003, 2002, and 2001 were \$1,011,228, \$827,306, and \$947,191, respectively; 75.57 percent has been contributed for 2003 and 100 percent for years 2002 and 2001. Of the 2003 amount, \$247,053 was unpaid at December 31, 2003 and is recorded as a liability in the respective funds.

B. State Teachers Retirement System of Ohio

The County participates in the School Teachers Retirement System of Ohio (STRS), 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 may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371 or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB Plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio fund times 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 Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer the account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Gallia County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

NOTE 16 - DEFINED BENEFIT RETIREMENT PLANS *(Continued)*

For the fiscal year ended June 30, 2003, 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 fiscal year 2002, the portion used to fund pension obligations was 9.5 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 members and employer contributions.

The County's required contributions for pension obligations to the DB Plan for the fiscal years ended December 31, 2003, 2002, and 2001 were \$76,187, \$78,909, and \$59,864, respectively. These contributions were equal to the required contributions for each of these years.

NOTE 17 - POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2003 local government employer contribution rate was 13.55 percent of covered payroll (16.7 percent for public safety and law enforcement); 5.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2002, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase 4.00 percent annually.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 364,881. Actual employer contributions for 2003 which were used to fund postemployment benefits were \$519,159. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2002, (the latest information available) were \$10.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$18.7 billion and \$8.7 billion, respectively.

In December 2001, the Board adopted the Health Care "Choices" Plan. The Choices Plan will be offered to all persons newly hired in an OPERS covered position after January 1, 2003, with no prior service credit accumulated toward health care coverage. Choice will incorporate a cafeteria approach, offering a broader range of health care options. The Plan uses a graded scale from ten to thirty years to calculate a monthly health care benefit. This is in contrast to the ten-year "cliff" eligibility standard for the present Plan.

Gallia County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

NOTE 17 - POSTEMPLOYMENT BENEFITS *(Continued)*

The benefit recipient will be free to select the option that best meets their needs. Recipients will fund health care costs in excess of their monthly health care benefit. The Plan will also offer a spending account feature, enabling the benefit recipient to apply their allowance toward specific medical expenses, much like a Medical Spending Account.

B. State Teachers Retirement System

The County provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute.

Both systems are funded on a pay-as-you-go basis.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care cost will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2003, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Stabilization Fund. For the County, this amount equaled \$5,860 for fiscal year 2003.

STRS pays health care benefits from the Health Care Stabilization Fund. At June 30, 2003 the balance in the Fund was \$2.8 billion. For the year ended June 30, 2003, net health care costs paid by STRS were \$352,301,000, and had 108,294 eligible benefit recipients.

NOTE 18 - ADDITIONAL DISCLOSURES FOR DISCRETELY PRESENTED COMPONENT UNITS

A. Measurement Focus and Basis of Accounting

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

B. Budgetary Basis of Accounting

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

C. Capital Assets

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

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

<u>Category</u>	<u>Estimated Life</u>
Machinery and Equipment	5 - 10 years

Gallia County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

NOTE 18 - ADDITIONAL DISCLOSURES FOR DISCRETELY PRESENTED COMPONENT UNITS
(Continued)

A summary of changes in capital assets during 2003 for Gallco Industries, Inc. were as follows:

	Balance January 1, 2003	Additions	Deletions	Balance December 31, 2003
<i>Depreciable Capital Assets:</i>				
Machinery and Equipment	\$44,232	\$9,478	\$0	\$53,710
Total Depreciable Capital Assets	44,232	9,478	0	53,710
<i>Accumulated Depreciation:</i>				
Machinery and Equipment	(25,940)	(5,203)	0	(31,143)
Total Accumulated Depreciation	(25,940)	(5,203)	0	(31,143)
Depreciable Capital Assets, Net	18,292	4,275	0	22,567
Capital Assets, Net	\$18,292	\$4,275	\$0	\$22,567

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

Category	Estimated Life
Buildings and Improvements	40 years
Furniture, Fixtures and Equipment	10-20 years

A summary of changes in capital assets during 2003 for Gallia-Meigs Regional Airport were as follows:

	Balance January 1, 2003	Additions	Deletions	Balance December 31, 2003
<i>Depreciable Capital Assets:</i>				
Buildings and Improvements	\$489,790	\$0	\$0	\$489,790
Furniture, Fixtures and Equipment	4,905	0	0	4,905
Total Accumulated Depreciation	494,695	0	0	494,695
<i>Accumulated Depreciation:</i>				
Buildings and Improvements	(246,030)	(10,889)	0	(256,919)
Furniture, Fixtures and Equipment	(4,905)	0	0	(4,905)
Total Accumulated Depreciation	(250,935)	(10,889)	0	(261,824)
Depreciable Capital Assets, Net	243,760	(10,889)	0	232,871
Capital Assets, Net	\$243,760	(\$10,889)	\$0	\$232,871

NOTE 19 - JOINTLY GOVERNED ORGANIZATIONS

A. Joint Solid Waste Management District

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

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

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

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

All of the Board's revenue is from state and federal grants awarded to the multi-county board. Since Gallia County serves as the fiscal agent for the Board, the financial activity is presented as an agency fund. Continued existence of the Board is not dependent of the County's continued participation, no debt exists, and the County does not have an equity interest in the Board. During 2003, the County made no contributions to the Board.

C. Gallia-Jackson-Meigs Counties Cluster

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

Gallia County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

NOTE 19 - JOINTLY GOVERNED ORGANIZATIONS (Continued)

D. Area Office on Aging

The Area Office on Aging is a regional council of governments that assists ten counties including Gallia County in providing services to senior citizens in the Council's service area. The Council is governed by a fifteen member board of directors. The Gallia County Commissioners along with other county organizations can nominate new board members, but representatives of local community service organizations. At least one-half of the board must be over the age of fifty-five. The board has total control over budgeting, personnel and all other financial matters. The continued existence of the Council is not dependent on the County's continued participation and no equity interest exists. The Council has no outstanding debt. During 2003, the County made contributions to the Area Office on Aging in the amount of \$75.

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. Scioto County, along with Ross, Vinton, Highland, Brown, Adams, Pike, Jackson, Gallia and Lawrence Counties each appoint three members to the thirty member Council. The Council selects an administrator to oversee operations. The Ohio Valley Resources Conservation and Development Area, Inc. received a contribution from the County of \$120 during 2003.

F. Southeastern Ohio Corrections Commission

The Southeastern Ohio Corrections was formed for the purpose of planning to build a community jail through State funding. The Commission consists of Gallia, Jackson, and Meigs counties. The State funding did not become available but the Commission has remained together in the case there would be any new grants to apply for in the future. The Commission consists of twelve members which includes the President of the Commissioners, the Common Pleas Judge, and the Sheriff from each county. The Commission's fiscal agent will be the County Auditor of the County in which the jail is placed. The County made no contributions to the Commission in 2003, and the Commission is not dependent on the County's continued participation.

G. Gallia-Meigs Community Action Agency

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

NOTE 19 - JOINTLY GOVERNED ORGANIZATIONS *(Continued)*

H. Gallia-Jackson Child Abuse and Neglect Advisory Board

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

I. Ohio Valley Regional Development Commission

The Ohio Valley Regional Development Commission is a jointly governed organization that serves a twelve county economic development planning district in southern Ohio. The commission was formed to influence favorably the future economic, physical and social development of Adams, Brown, Clermont, Fayette, Gallia, Highland, Jackson, Lawrence, Pike, Ross, Scioto, and Vinton Counties. Membership is comprised of elected and appointed county, municipal and township officials or their officially appointed designees, as well as members of the private sector, community action agencies and regional planning commissions. The commission is not dependent upon Gallia County for its existence. In 2003, the County made \$5,061 in contributions to the commission.

NOTE 20 - RELATED ORGANIZATIONS

A. O.O. McIntyre Park District

The County Probate Judge is responsible for appointing the three-member board of the O. O. McIntyre Park District. Removal of the members requires due process. The County has no ability to impose its will on the organization nor is a burden/benefit relationship in existence. The Park District has a one-half mill property tax that is collected by Gallia County and then transferred into the Park District agency fund. In addition, the Park District receives 1 percent of the County's share of Undivided Local Government Revenue Assistance and State income taxes. These items totaled \$11,384 in 2003. The District is its own budgeting and taxing authority and has no outstanding debt. The county auditor serves as the fiscal agent for the District; therefore, the financial activity is reflected in Park District County agency fund.

B. Bossard Memorial Library

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



Auditor of State Betty Montgomery

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

Gallia County
18 Locust Street
Gallipolis, Ohio 45631

To the Board of County Commissioners:

Compliance

We have audited the compliance of Gallia County, Ohio (the County), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2003. The County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

As described in items 2003-004 through 2003-007 in the accompanying Schedule of Findings and Questioned Costs, the County did not comply with requirements regarding activities allowed or unallowed, period of availability, subrecipient monitoring and cash management that are applicable to its Workforce Investment Act Cluster (CFDA # 17.258, 17.259 and 17.260). Compliance with such requirements is necessary, in our opinion, for the County to comply with requirements applicable to those programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the County complied, in all material respects, with the requirements referred to above that are applicable to each major federal program for the year ended December 31, 2003. We also noted certain instances of noncompliance that does not require inclusion in this report that we have reported to the County's management in a separate letter dated February 24, 2005.

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Internal Control over Compliance

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

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the County's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 2003-004 through 2003-007.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 2003-004 through 2003-006 to be material weaknesses. We also noted other matters involving the internal control over federal compliance that do not require inclusion in this report, that we have reported to management of the County in a separate letter dated February 24, 2005.

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

Betty Montgomery
Auditor of State

February 24, 2005

GALLIA COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2003

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	Yes
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	Yes
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Qualified
(d)(1)(vi)	Are there any reportable findings under § .510?	Yes
(d)(1)(vii)	Major Programs (list):	Workforce Investment Act Cluster: CFDA #17.258, 17.259 and 17.260 Public Assistance Grants 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, 2003
(Continued)**

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

FINDING NUMBER 2003-001

Noncompliance Citation – Finding for Recovery

During the period April 1, 2002 through July 13, 2003, the Gallia County Sheriff's Department, (the Sheriff), had contracts with the Village of Cheshire, (the Village), to provide policing services. The contracts, (dated April 1, 2002 for the period of April 1, 2002 through March 31, 2003 and dated May 5, 2003 for the period of April 1, 2003 through March 31, 2004, subsequently canceled by the Sheriff effective July 13, 2003), called for the Sheriff to appoint a Deputy agreeable to the Village and furnish said deputy with an adequate vehicle. The contract also stated "The Village in consideration for this police protection agrees to pay directly to the designated deputy, the sum of \$11.00 per hour..." Jerry Darst was employed by the Sheriff as a part-time Deputy from April 2002 through June 2003 for which he was compensated \$9.70 per hour. During that period, he was also appointed as the designated deputy to provide policing services for the Village. Mr. Darst reported his policing service hours for the Village on timesheets and provided said timesheets to the Village Clerk for compensation. In addition, as part of the Sheriff's procedures, Mr. Darst maintained timesheets for the hours in which he was working for the Sheriff and submitted those timesheets to the Sheriff for compensation. A comparison of timesheets submitted by Mr. Darst to the Village and to the Sheriff revealed that on several occasions Mr. Darst reported the same working hours to the Village and the Sheriff. As a result, Mr. Darst was compensated by the Village and the Sheriff for the same 216.5 hours worked. Mr. Darst's timesheets submitted to the Village did identify 5 of these hours were for his attendance at the November 4, 2002 Village Council meeting and therefore should have been paid for by the Village. Therefore, Mr. Darst was overcompensated by the County in the amount of \$48.50 (5 hours x \$9.70 per hour). There was no documentation indicating that the remaining 211.5 hours, (216.5 less 5 hours), of this time was for patrolling services for the Village. Therefore, the 211.5 hours were appropriately paid by the Sheriff as supported by a letter from the Sheriff dated August 18, 2004, stating, in part, "when Mr. Darst was on the clock at the Sheriff's Office, his primary employer, he was compensated by the Gallia County Sheriff's Office, and discrepancies on the time served by the Village of Cheshire, his personal service contract, should be handled by the Village of Cheshire", (the 211.5 hours were addressed as part of the Village of Cheshire audit).

In addition, a review of Mr. Darst's timesheets for the Sheriff for pay period ending June 7, 2002 indicated that Mr. Darst was overcompensated by 9.5 hours due to a calculation error in total hours worked as follows:

Per Timesheet			Per Recalculation			Variance
	Date	Hours Worked		Date	Hours Worked	
Week 1	5/26/2002	9.5	Week 1	5/26/2002	9.5	0
	Week 1 Total	9.5		Week 1 Total	9.5	0
Week 2	6/7/2002	8	Week 2	6/7/2002	8	0
	Week 2 Total	17.5		Week 2 Total	8	9.5
Total Week 1 and Week 2		27	Total Week 1 and Week 2		17.5	9.5

This resulted in additional overcompensation of \$92.15 (9.5 hours x \$9.70 per hour).

GALLIA COUNTY

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2003
(Continued)**

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

**FINDING NUMBER 2003-001
(Continued)**

Noncompliance Citation – Finding for Recovery (Continued)

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for public money illegally expended is hereby issued against Jerry Darst, Deputy, in the amount of \$140.65 (\$48.50 + \$92.15) in favor of the Gallia County General Fund.

FINDING NUMBER 2003-002

Noncompliance Citation – Finding for Recovery

Ralph Franklin, a vendor that performs car repair services in conjunction with the Department of Job & Family Services Prevention/Retention/Contingency Assistance (PRCA), was issued and cashed a check in the amount of three hundred thirty dollars which should have been issued to another individual, Rachel Franklin. Rachel Franklin, Adult WIA participant, should have received a check for travel reimbursement.

The payment occurred when Kathy McCalla was the Director of the Gallia County Department of Job and Family Services.

Under Ohio Law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is strictly liable for the amount of such expenditure. *Seward v. National Surety Co.*, 120 Ohio St. 47 (1929); 1980 Op. Att'y Gen. No 80-074: Ohio Rev. Code Section 9.39; State, ex.rel. *Village of Lindale v. Masten*, 18 Ohio St. 3d 228 (1985).

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Ralph Franklin, PRCA vendor, and Kathy McCalla, Director of the Gallia County Department of Job and Family Services, jointly and severally, and in favor of the Gallia County Department of Job and Family Services in the amount of three hundred thirty dollars.

GALLIA COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2003
(Continued)

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

FINDING NUMBER 2003-003

Noncompliance Citation – Finding for Recovery

Ohio Rev. Code Section 5901.04 states that on the presentation of an itemized statement, the board of county commissioners shall allow the persons composing the veterans' service commission their reasonable expenses incurred in the performance of their duties, and shall fix a fair compensation for their services. The county auditor shall issue a warrant upon the county treasurer for the amount so allowed.

Office of Attorney General of Ohio, Opinion No. 01-038 states that members of a county veterans' service commission are "officers" for purposes of Ohio Const. Art. II, Section 20. Therefore, a member of a veterans' service commission, who is holding office at the time the board of county commissioners increases the compensation for that position, is prohibited from receiving such increase for the duration of his term.

On August 8, 1991, the Board of County Commissioners set the compensation of the Veterans' Service Commission members at \$100 per meeting attended, not to exceed 15 meetings per year.

In 1999, the Veterans' Service Commission began compensating Commission members at \$100 per meeting, not to exceed 26 meetings per year, without the County Commissioners' approval. As a result, each Board member was compensated for as many as 25 meetings per year in 1999, 2000, 2001 and 2002.

On January 15, 2001, the Board of County Commissioners approved the Veterans' Service Commission's request to increase the compensation from \$100 per meeting to \$150 per meeting, not to exceed 15 paid meetings per year.

The Veterans' Service Commission members have met with the Board of County Commissioners on multiple occasions to request an increase in the number of meetings to be compensated for per year from 15 to 24, retroactive to 1999; however, the Board of County Commissioners have taken no action on the requests. Therefore, the Veterans' Service Commission is authorized for 15 paid meetings per year.

Commission members were compensated for as many as 24 meetings in 2003. The following overpayments resulted from 2003:

2003

Name	Actual Salary Paid in 2003	Authorized Amount Per Meeting *	Maximum Number of Authorized Meetings Per Year	Allowable Compensation	Overpayment
James Cozza	\$ 3,600	\$ 150	15	\$ 2,250	\$ 1,350
Ralph Jeffers	\$ 3,600	\$ 150	15	\$ 2,250	\$ 1,350
Earl Cook	\$ 3,600	\$ 150	15	\$ 2,250	\$ 1,350
David McCoy	\$ 3,600	\$ 150	15	\$ 2,250	\$ 1,350

* - Based on the Commission member's term of office

GALLIA COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2003
(Continued)

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

FINDING NUMBER 2003-003
(Continued)

Noncompliance Citation – Finding for Recovery (Continued)

A finding for recovery was issued in 2002 for the overpayment of Veterans' Commission Service members for 1999, 2000, 2001 and 2002. That finding for recovery was not repaid. The following is a recap of the overpayments that occurred in 1999, 2000, 2001, 2002 and 2003:

Name	1999 Overpayment	2000 Overpayment	2001 Overpayment	2002 Overpayment	2003 Overpayment	Total Overpayment
James Cozza	\$ 800	\$ 1,000	\$ 1,200	\$ 1,350	\$ 1,350	\$ 5,700
Ralph Jeffers	800	1,000	1,950	1,350	1,350	6,450
Earl Cook			1,050	2,250	1,350	4,650
Charles Reynolds	800	1,000				1,800
David McCoy				300	1,350	1,650
						<u>\$ 20,250</u>

The above referenced amounts for 1999 through 2002, which were part of the finding for recovery for the 2002 audit, have not been repaid. However, there is a lawsuit currently pending in Gallia County Common Pleas Court; Gallia County Veterans Service Commission versus Gallia County Commissioners Case No. 04 CV 50, regarding these amounts.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for public monies illegally expended is hereby issued against: James Cozza in the amount of \$1,350; Ralph Jeffers in the amount of \$1,350; Earl Cook in the amount of \$1,350; and David McCoy in the amount of \$1,350. All of the above listed amounts are in favor of the Gallia County General Fund.

This matter is currently in litigation.

GALLIA COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2003
(Continued)

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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Finding Number	2003-004
CFDA Title and Number	Workforce Investment Act – CFDA # 17.258, 17.259 and 17.260
Federal Award Number / Year	2002 – 2003
Federal Agency	U.S. Department of Labor
Pass-Through Agency	Ohio Department of Jobs and Family Services

Questioned Cost and Material Weakness – Subrecipient Monitoring

29 C.F.R. 97.36 (b) (2) states that grantees and subgrantees will maintain a contract administration system which ensures that contractors perform in accordance with the terms, conditions, and specifications of their contracts or purchase orders.

29 C.F.R. 97.36 (f) (2) states that grantees and subgrantees will negotiate profit as a separate element of the price for each contract in which there is no price competition and in all cases where cost analysis is performed. To establish a fair and reasonable profit, consideration will be given to the complexity of the work to be performed, the risk borne by the contractor, the contractor's investment, the amount of subcontracting, the quality of its record of past performance, and industry profit rates in the surrounding geographical area for similar work.

The Gallia County Department of Job and Family Services entered into the following contracts with the Gallia Meigs Community Action Agency:

Contract	Term	Amount
Operation of In-School Youth Program	7/01/02 – 6/30/03	\$131,694
Operation of Adult Program	7/01/02 – 6/30/03	\$248,263
Operation of Dislocated Worker Program	7/01/02 – 6/30/03	\$131,339

A WIA financial management review was performed by the Ohio Department of Job and Family Services during March 31, 2003 through April 10, 2003 for the period July 1, 2002 through April 10, 2003. A number of issues were noted with the administration of these contracts which included the following:

A. Gallia Meigs Community Action Agency not following the terms of the contract regarding invoicing for payment of services

Provision #3 of the contracts title Payment for Purchased Services states: Provider will within thirty days of the end of each month submit an invoice to the GCDJFS covering purchased services rendered to eligible individuals. Such invoices shall include monthly actual expenditures, the number of persons served, number of units, and amount claimed. The GCDJFS will review the invoice for completeness and may request any information necessary before making payment within thirty days after receipt of an accurate invoice, the reported expenditures are subject to audit by appropriate state or federal officials or an independent audit after payment is made.

GALLIA COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2003
(Continued)

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)
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Finding Number	2003-004 (Continued)
CFDA Title and Number	Workforce Investment Act – CFDA # 17.258, 17.259 and 17.260
Federal Award Number / Year	2002 – 2003
Federal Agency	U.S. Department of Labor
Pass-Through Agency	Ohio Department of Jobs and Family Services

Questioned Cost and Material Weakness – Subrecipient Monitoring (Continued)

The WIA financial management review performed by the Ohio Department of Job and Family Services indicated that invoices were submitted to the Gallia County Department of Job and Family Services from the Gallia Meigs Community Action Agency which did not include information regarding services rendered to participants and the subrecipient did not bill on a monthly basis.

B. Inadequate/improper documentation to support invoices submitted for payment

29 C.F.R. 97.20 (b)(2) concerning accounting records indicates that grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially – assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income.

29 C.F.R. 97.20 (b)(6) concerning source documentation indicates that accounting records must be supported by such source documentation as cancelled checks, paid bills, payrolls, time and attendance records, contract and subgrant award documents, etc.

The WIA financial management review performed by the Ohio Department of Job and Family Services indicated that as a result of the billings, the following issues were noted: Duplicate billings in which individuals were billed under more than one program, billing for individuals no longer active in the program and three occasions in which the local policy cap of the amount to be spent per participant was exceeded.

C. A lack of financial monitoring of subrecipients by the Gallia County Department of Job and Family Services

20 C.F.R. 667.400 (c)(1) states, in part, that each recipient and subrecipient must continuously monitor grant – supported activities in accordance with the uniform administrative requirements.

The WIA financial management review performed by the Ohio Department of Job and Family Services indicated that financial monitoring of the Gallia Meigs Community Action Agency was not performed and a monitoring tool was not developed by the Gallia County Department of Job and Family Services.

GALLIA COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2003
(Continued)

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)
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Finding Number	2003-004 (Continued)
CFDA Title and Number	Workforce Investment Act – CFDA # 17.258, 17.259 and 17.260
Federal Award Number / Year	2002 – 2003
Federal Agency	U.S. Department of Labor
Pass-Through Agency	Ohio Department of Jobs and Family Services

Questioned Cost and Material Weakness – Subrecipient Monitoring (Continued)

As a result of the WIA financial management review performed by the Ohio Department of Job and Family Services, costs in the amount of \$511,296 were questioned which represent the total amount of the three contracts. The Bureau of Audit's response indicated that the Gallia County Department of Job and Family Services must work closely with the Ohio Department of Job and Family Services to resolve this finding and the Ohio Department of Job and Family Services corrective action indicated that the Gallia County Department of Job and Family Services will need to conduct financial monitoring of their contracts with Gallia Meigs Community Action Agency.

The Gallia County Department of Job and Family Services performed a WIA program and financial review of the contracts with the Gallia Meigs Community Action Agency and communicated the results to the agency. The Gallia County Department of Job and Family Services is currently working with the Ohio Department of Job and Family Services to resolve this issue.

During 2003, the Gallia Meigs Community Action Agency reimbursed a total of \$61,835 to the Gallia County Department of Job and Family Services. The net amount compared to costs questioned by the Ohio Department of Job and Family Services is \$449,461. This amount is considered a questioned cost.

We recommend the Gallia County Department of Job and Family Services' resolve the finding with the Ohio Department of Job and Family Services. We also recommend the County implement policies and procedures to monitor their subrecipients in accordance with grant guidelines.

GALLIA COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2003
(Continued)

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)
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Finding Number	2003-005
CFDA Title and Number	Workforce Investment Act – CFDA # 17.258, 17.259 and 17.260
Federal Award Number / Year	2002 – 2003 and 2003 – 2004
Federal Agency	U.S. Department of Labor
Pass-Through Agency	Ohio Department of Jobs and Family Services

Noncompliance Citation and Material Weakness – Cash Management

29 C.F.R. 97.20 (b)(7) states, in part, that the financial management systems of other grantees and subgrantees must meet the following standards: Procedures for minimizing the time elapsing between the transfer of funds from the US Treasury and disbursements by grantees and subgrantees must be followed whenever advance payment procedures are used.

29 C.F.R. 97.21 (b) Basic Standard states that methods and procedures for payment shall minimize the time elapsing between the transfer of funds and disbursement by the grantee or subgrantee, in accordance with Treasury regulations at 31 C.F.R. part 205.

During 2003, the cash management system used by the Gallia County Department of Job and Family Services was not designed to ensure compliance with the Code of Federal Regulations (C.F.R.) requirements. All WIA funds were deposited in the County's Job and Family Service Fund with other funds of the department and since the monies were commingled, we could not determine if they are accumulating excess WIA cash. Also, a daily balance for WIA was not maintained which does not allow for a balance of WIA funds to be maintained. This results in an inability to determine if procedures for minimizing the time elapsing between the transfer of funds and disbursements by the grantee or subgrantee were in place.

In addition, CORE payment reports or other supportive documentation were not maintained to support the amounts received for WIA funds. This results in an inability to substantiate and verify amounts of WIA funds received and to determine if procedures for minimizing the time elapsing between the transfer of funds and disbursements by the grantee or subgrantee were in place.

We recommend the Gallia County Department of Job and Family Services develop a cash management system in compliance with the CFR and a method be included in that system to maintain a daily balance for WIA funds. We further recommend that CORE payment reports or other supportive documentation be maintained to support the amount of WIA funds received.

GALLIA COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2003
(Continued)

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)
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Finding Number	2003-006
CFDA Title and Number	Workforce Investment Act – CFDA # 17.258, 17.259 and 17.260
Federal Award Number / Year	2002 – 2003 and 2003 – 2004
Federal Agency	U.S. Department of Labor
Pass-Through Agency	Ohio Department of Jobs and Family Services

Noncompliance Citation and Material Weakness – Subrecipient Monitoring

20 C.F.R. 667.410(a) details the roles and responsibilities for all recipients and subrecipients of funds under the Workforce Investment Act title I. Each recipient and subrecipient must conduct regular oversight and monitoring of its Workforce Investment Act activities and those of its subrecipients and contractors in order to:

- (1) Determine that expenditures have been made against the cost categories and within the cost limitations specified in the Act and the regulations in this part;
- (2) Determine whether or not there is compliance with other provisions of the Act and the Workforce Investment Act regulations and other applicable laws and regulations; and
- (3) Provide technical assistance as necessary and appropriate.

The Gallia County Department of Job and Family Services contracted with the University of Rio Grande and Gallia Meigs Community Action Agency for the provision of Workforce Investment Act services during the audit period. A financial management review was performed by the Ohio Department of Job and Family Services during the audit period which indicated there was a lack of financial monitoring of the subrecipient by Gallia County Department of Job and Family Services and revealed a subrecipient not following the terms of the contract regarding invoicing for payment of services, inadequate documentation to support invoices submitted for payment and improper invoicing including duplicate billing and billing for participants no longer in the program. As a result, questioned costs in the amount of \$511,296 were identified which stem from the administration of the Adult, Dislocated Worker and Youth Programs by the subrecipient, Gallia Meigs Community Action Agency. In order to ensure compliance with Subrecipient Monitoring requirements, a policy for monitoring subrecipients should be developed and detailed documentation of monitoring procedures performed should be maintained.

Also, the contracts with subrecipients did not identify to the subrecipients the Federal award information and applicable compliance requirements of the Workforce Investment Act. In addition, contracts did not contain requirements for the subrecipients to comply with the compliance requirements applicable to the Federal program including the audit requirements of OMB Circular A-133. This could result in subrecipients not complying with compliance requirements and going undetected for an extended period of time.

GALLIA COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OMB CIRCULAR A -133 § .505

DECEMBER 31, 2003

(Continued)

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)
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Finding Number	2003-006 (Continued)
CFDA Title and Number	Workforce Investment Act – CFDA # 17.258, 17.259 and 17.260
Federal Award Number / Year	2002 – 2003 and 2003 – 2004
Federal Agency	U.S. Department of Labor
Pass-Through Agency	Ohio Department of Jobs and Family Services

Noncompliance Citation and Material Weakness – Subrecipient Monitoring (Continued)

We recommend the Gallia County Department of Job and Family Services develop a formal method / policy for monitoring each of its subrecipients which includes the following:

- A listing of Federal requirements that the Subrecipient must follow
- The description and program number for each program as stated in the Catalog of Federal Domestic Assistance (CFDA)
- A statement signed by an official of the subrecipient, stating that the Subrecipient was informed of, understands, and agrees to comply with the applicable compliance requirements
- Obtaining copies of the subrecipients audit reports and develop a plan for resolving any audit findings
- Determining whether the Subrecipient met the thresholds requiring an audit under OMB Circular A – 133 and if an audit is required, the Gallia County Department of Job and Family Services should assure that the subrecipient submits the report, report package or the documents required by OMB circulars and / or recipients requirements
- The policy should include provisions for monitoring the earmarking requirements of youth activities so that a minimum of 95 percent of eligible participants in Youth Activities must meet the criteria of disadvantaged low-income youth as defined in 29 U.S.C. 2801 (25) (20 C.F.R. section 664.220) and that thirty percent of the Youth Activity funds allocated to the local areas, except for the local area expenditures for administration, must be used to provide services to out-of-school youth (20 C.F.R. section 664.320)
- Determining whether the Subrecipient is complying with and following the terms of the contracts signed with the Gallia County Department of Job and Family Services

We further recommend the Gallia County Department of Job and Family Services monitor subrecipients in accordance with the policy developed and maintain supporting documentation to verify the performance of monitoring procedures. Monitoring procedures may include regularly scheduled site visits, unscheduled site visits, independent compliance reviews, review and follow up (if necessary) of contracting agencies audit report and findings (if any), etc. The Gallia County Department of Job and Family Services should document who performed the monitoring activities, the date, who they spoke with, what was reviewed, and the results of the review. This would aid the department in documenting that they are complying with the subrecipient monitoring requirements. The Gallia County Department of Job and Family Services should also review all its subrecipient monitoring responsibilities listed in OMB Circular A-133 § __.400 (d) and assure it complies with all these requirements.

GALLIA COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2003
(Continued)

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)
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Finding Number	2003-007
CFDA Title and Number	Workforce Investment Act – CFDA # 17.258, 17.259 and 17.260
Federal Award Number / Year	2002 – 2003 and 2003 – 2004
Federal Agency	U.S. Department of Labor
Pass-Through Agency	Ohio Department of Jobs and Family Services

Noncompliance Citation and Reportable Condition – Activities Allowed or Unallowed

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

While testing the accuracy of individual training accounts (ITA), we found that ITA’s were not always maintained in a manner to determine beginning balances, credits, payments and running balances. This could result in ITA amounts being exceeded and errors going undetected for an extended period of time. We note that our review of case files revealed two cases in which the ITA amount had been exceeded. In addition, we noted an instance in which a payment for tuition and books was charged to the training expense summary and the amount should have been separated between training and service expenditures. It was also determined that individual training account payments are not reconciled to fund disbursements.

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

GALLIA COUNTY

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2002-001	Ohio Rev. Code Section 153.12 – contract change orders resulting in the total contract price exceeding ten percent of the original estimate.	Yes.	N/A
2002-002	Ohio Rev. Code Section 5705.39 – appropriations exceeded estimated resources.	Yes.	N/A
2002-003	Ohio Rev. Code Section 325.06 – Finding for Recovery regarding the rate of pay for the County Sheriff which was repaid under audit.	Yes.	N/A
2002-004	Ohio Rev. Code Section 5705.38 – Finding for recovery in favor of the Gallia County General Fund regarding overpayment of authorized salaries for Veterans Service Board members.	No.	Not corrected. Reissued as Finding 2003-003.

GALLIA COUNTY

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
DECEMBER 31, 2003**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2003-001	This matter is currently in litigation.	December 31, 2005	Karen Sprague, County Administrator
2003-002	The Gallia County Department of Job and Family Services is currently in the process of resolving these issues with the Ohio Department of Job and Family Services. The Gallia County Department of Job and Family Services is also implementing policies to comply with requirements of subrecipient monitoring.	December 31, 2005	Kathy McCalla, Director Gallia County Department of Job and Family Services
2003-003	This matter is currently in litigation.	December 31, 2005	Karen Sprague, County Administrator
2003-004	The Gallia County Department of Job and Family Services is currently in the process of resolving these issues with the Ohio Department of Job and Family Services. The Gallia County Department of Job and Family Services is also implementing policies to comply with requirements of subrecipient monitoring.	December 31, 2005	Kathy McCalla, Director Gallia County Department of Job and Family Services
2003-005	The Gallia County Department of Job and Family Services is currently in the process of resolving these issues with the Ohio Department of Job and Family Services. The Gallia County Department of Job and Family Services is also implementing policies to comply with requirements of subrecipient monitoring.	December 31, 2005	Kathy McCalla, Director Gallia County Department of Job and Family Services
2003-006	The Gallia County Department of Job and Family Services is currently in the process of resolving these issues with the Ohio Department of Job and Family Services. The Gallia County Department of Job and Family Services is also implementing policies to comply with requirements of subrecipient monitoring.	December 31, 2005	Kathy McCalla, Director Gallia County Department of Job and Family Services
2003-007	The Gallia County Department of Job and Family Services is currently in the process of resolving these issues with the Ohio Department of Job and Family Services. The Gallia County Department of Job and Family Services is also implementing policies to comply with requirements of subrecipient monitoring.	December 31, 2005	Kathy McCalla, Director Gallia County Department of Job and Family Services