



Mary Taylor, CPA
Auditor of State

GALLIA COUNTY
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Mary Taylor, CPA

Auditor of State

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 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, 2006, 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 Gallco 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 Gallco 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Gallia County, Ohio, as of December 31, 2006, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparisons for the General Fund, Motor Vehicle and Gas Tax Fund, Job and Family Services Fund, and Board of Mental Retardation Fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 10, 2007, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. 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 accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on 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 provides additional information that is 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.

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

Mary Taylor, CPA
Auditor of State

September 10, 2007

Gallia County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2006
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, 2006. 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 2006 are as follows:

- The assets of the County for governmental activities exceeded its liabilities at December 31, 2006, by \$19,520,000. Of this amount, \$1,788,790 may be used to meet the County's ongoing obligations to citizens and creditors. The assets of the County for business-type activities exceeded its liabilities at December 31, 2006 by \$2,947,149.
- The net assets of governmental activities increased \$1,553,050. The net assets of business-type activities decreased \$122,952.
- For 2006, all revenues of the County totaled \$29,441,047. General revenues accounted for \$8,886,016 in revenue or 30 percent of all revenues. Program revenues in the form of charges for services and grants and contributions accounted for \$20,555,031 or 70 percent of all revenues.
- The County had \$27,607,194 in expenses related to governmental activities: \$20,287,066 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$8,873,178 of which \$5,805,023 was taxes with the remaining \$3,068,155 composed of interest, grants, entitlements and miscellaneous revenues which were adequate to provide for these programs.
- As of December 31, 2006, the County's governmental funds reported combined fund balances of \$8,452,658, an increase of \$2,907,000 in comparison with the prior year.
- The General fund's fund balance increased by \$146,280.

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.

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

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

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

Governmental Activities - Most of the County's programs and services are reported here including human services, health, public safety, public works, community and 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 Gallico Industries, Inc. These component units are described in the notes to the basic financial statements.

Fund Financial Statements

Fund financial reports provide detailed information about the County's major funds. The County uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the County's most significant funds. The County's major governmental funds are the General fund, the Motor Vehicle and Gas Tax, Job and Family Services, and Board of Mental Retardation special revenue funds and the Early Childhood Grant capital project fund. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into one of three categories: governmental funds, proprietary funds, and fiduciary funds.

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

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

The County maintains a multitude of individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances for the major funds, which were identified earlier. Data from the other governmental funds are combined into a single, aggregated presentation. The governmental financial statements can be found on pages 16-26 of this report.

Proprietary Funds – The County maintains two different types of proprietary funds: enterprise funds and internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for sewer operations. Internal services funds are an accounting device used to accumulate and allocate cost internally among the County's various functions. The County uses an internal service fund to account for its Employee Benefits Trust Fund. Because this service predominately benefits governmental rather than business-type functions, it has been included with governmental activities in the County-wide financial statements. The County's only major enterprise fund is the Bidwell/Porter sewer fund. The proprietary fund financial statements can be found on pages 27-29 of this report.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the County. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The County's only fiduciary funds are agency funds. The fiduciary fund financial statements can be found on page 30 of this report.

Notes to the Basic Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 31-63 of this report.

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Government-Wide Financial Analysis

You may recall that the statement of net assets provides the perspective of the County as a whole. Table 1 provides a summary of the County's net assets for 2006 compared to 2005:

Table 1
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Assets:						
Current and other assets	\$ 18,270,423	\$ 15,772,986	\$ 507,688	\$ 509,756	\$ 18,778,111	\$ 16,282,742
Capital assets	<u>8,885,207</u>	<u>8,602,914</u>	<u>4,693,079</u>	<u>4,738,470</u>	<u>13,578,286</u>	<u>13,341,384</u>
Total assets	<u>27,155,630</u>	<u>24,375,900</u>	<u>5,200,767</u>	<u>5,248,226</u>	<u>32,356,397</u>	<u>29,624,126</u>
Liabilities:						
Other liabilities	4,149,912	4,403,328	65,337	74,227	4,215,249	4,477,555
Long-term liabilities:						
Due within one year	1,077,685	1,117,598	42,603	92,338	1,120,288	1,209,936
Due in more than one year	<u>2,408,033</u>	<u>888,024</u>	<u>2,145,678</u>	<u>2,011,560</u>	<u>4,553,711</u>	<u>2,899,584</u>
Total liabilities	<u>7,635,630</u>	<u>6,408,950</u>	<u>2,253,618</u>	<u>2,178,125</u>	<u>9,889,248</u>	<u>8,587,075</u>
Net Assets:						
Invested in capital assets, net of related debt	6,922,421	7,994,890	2,522,253	2,642,986	9,444,674	10,637,876
Restricted	10,808,789	8,337,359	-	-	10,808,789	8,337,359
Unrestricted	<u>1,788,790</u>	<u>1,634,701</u>	<u>424,896</u>	<u>427,115</u>	<u>2,213,686</u>	<u>2,061,816</u>
Total net assets	<u>\$ 19,520,000</u>	<u>\$ 17,966,950</u>	<u>\$ 2,947,149</u>	<u>\$ 3,070,101</u>	<u>\$ 22,467,149</u>	<u>\$ 21,037,051</u>

Total assets increased primarily due to unexpended cash received from the proceeds of a \$1,480,000 loan issued during 2006 for the purpose of building an early childhood center. The Motor Vehicle and Gas Tax fund accounted for approximately \$509,812 in additional cash due to a reduction of expenses in 2006. Total liabilities increased primarily due to the issuance of the above mentioned \$1,480,000 loan.

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 \$22,467,149: \$19,520,000 in governmental activities and \$2,947,149 in business-type activities at the end of the 2006 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 restricted net assets. This accounts for 48 percent of net assets. The restricted net assets are subject to external restrictions on how they may be used.

The County's smallest portion of total net assets is unrestricted. This accounts for 10 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 \$9,444,674 or 42 percent is restricted assets invested in capital assets, net of related debt. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

At the end of the current fiscal year, the County was 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.

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Table 2 shows the changes in net assets for fiscal year 2006 as compared to 2005:

	Table 2 Change In Net assets					
	Governmental Activities		Business-Type Activities		Total	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Revenues						
Program revenues:						
Charges for services	\$ 3,093,417	\$ 3,215,860	\$ 267,965	\$ 267,797	\$ 3,361,382	\$ 3,483,657
Operating grants and contributions	16,835,585	15,691,392	-	-	16,835,585	15,691,392
Capital grants and contributions	<u>358,064</u>	<u>1,439,088</u>	<u>-</u>	<u>-</u>	<u>358,064</u>	<u>1,439,088</u>
Total Program Revenues	20,287,066	20,346,340	267,965	267,797	20,555,031	20,614,137
General revenues:						
Property taxes	1,931,080	2,566,669	-	-	1,931,080	2,566,669
Sales tax	3,873,943	3,707,313	-	-	3,873,943	3,707,313
Grants and entitlements	1,731,760	1,038,044	-	-	1,731,760	1,038,044
Investment earnings	421,578	291,896	12,652	12,126	434,230	304,022
Miscellaneous	<u>914,817</u>	<u>558,618</u>	<u>186</u>	<u>-</u>	<u>915,003</u>	<u>558,618</u>
Total General revenues	<u>8,873,178</u>	<u>8,162,540</u>	<u>12,838</u>	<u>12,126</u>	<u>8,886,016</u>	<u>8,174,666</u>
Total revenues	<u>29,160,244</u>	<u>28,508,880</u>	<u>280,803</u>	<u>279,923</u>	<u>29,441,047</u>	<u>28,788,803</u>
Program expenses						
General government:						
Legislative and executive	3,124,822	3,361,844	-	-	3,124,822	3,361,844
Judicial	1,079,733	1,186,411	-	-	1,079,733	1,186,411
Public safety	4,538,885	4,633,551	-	-	4,538,885	4,633,551
Public works	4,477,769	4,542,620	-	-	4,477,769	4,542,620
Health	2,628,058	2,556,067	-	-	2,628,058	2,556,067
Human services	9,910,966	8,897,380	-	-	9,910,966	8,897,380
Conservation and recreation	386,780	247,661	-	-	386,780	247,661
Community and economic development	754,164	869,647	-	-	754,164	869,647
Other	674,691	774,573	-	-	674,691	774,573
Interest and fiscal charges	31,326	31,971	-	-	31,326	31,971
Bidwell/Porter Sewer	-	-	314,355	307,220	314,355	307,220
Sewer	<u>-</u>	<u>-</u>	<u>89,400</u>	<u>68,907</u>	<u>89,400</u>	<u>68,907</u>
Total expenses	<u>27,607,194</u>	<u>27,101,725</u>	<u>403,755</u>	<u>376,127</u>	<u>28,010,949</u>	<u>27,477,852</u>
Change in net assets	1,553,050	1,407,155	(122,952)	(96,204)	1,430,098	1,310,951
Net Assets at January 1	<u>17,966,950</u>	<u>16,559,795</u>	<u>3,070,101</u>	<u>3,166,305</u>	<u>21,037,051</u>	<u>19,726,100</u>
Net Assets at December 31	<u>\$ 19,520,000</u>	<u>\$ 17,966,950</u>	<u>\$ 2,947,149</u>	<u>\$ 3,070,101</u>	<u>\$ 22,467,149</u>	<u>\$ 21,037,051</u>

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As noted earlier in this discussion, governmental activities net assets increased \$1,553,050 and business-type activities decreased \$122,952. Overall revenues increased by \$652,244 and expenses increased by \$533,097. The operating grants, contributions and interest revenue had the most significant increase of \$880,655 that is attributed to an increase in intergovernmental revenue primarily related to human services. Human Services expenses had the most significant increase of \$1,013,586. The reason for the increase was due to additional program expenses.

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

	2006		2005	
	<u>Total Cost</u>	<u>Net Cost of</u>	<u>Total Cost</u>	<u>Net Cost of</u>
	<u>of Services</u>	<u>Services</u>	<u>of Services</u>	<u>Services</u>
Program expenses				
General government:				
Legislative and executive	\$ 3,124,822	\$ 1,950,399	\$ 3,361,844	\$ 972,656
Judicial	1,079,733	668,851	1,186,411	508,960
Public safety	4,538,885	3,154,566	4,633,551	2,257,834
Public works	4,477,769	162,748	4,542,620	893,941
Health	2,628,058	663,228	2,556,067	(1,089,373)
Human services	9,910,966	98,250	8,897,380	2,337,762
Conservation and recreation	386,780	(24,527)	247,661	(213,214)
Community and economic development	754,164	71,499	869,647	301,866
Other	674,691	543,920	774,573	753,929
Interest and fiscal charges	31,326	31,194	31,971	31,024
Total expenses	<u>\$ 27,607,194</u>	<u>\$ 7,320,128</u>	<u>\$ 27,101,725</u>	<u>\$ 6,755,385</u>

Of the \$27,607,194 total governmental activities expenses, \$20,287,066 or 73 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, fees for the collection of property taxes throughout the County, for title fees and for court fees. Public safety charges for services include items such as fees for boarding prisoners, patrolling subdivisions, and for special details. Health includes charges for services provided to clients of the mental retardation board.

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

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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 \$8,452,658. Of this total, \$8,002,721 represents unreserved fund balance, which is available for appropriation at the government's discretion within certain legal constraints and purposes restrictions. The remainder of fund balance is reserved to indicate that it is not available for new spending. While a large amount of the governmental fund balances are not reserved in the governmental fund statements, they lead to restricted net assets on the statement of net assets due to their being restricted for use for a particular purpose mandated by the source of the resources such as the state or federal government or the local tax levy.

The General fund is the chief operating fund of the County. At the end of the current fiscal year, the fund balance of the General fund was \$1,703,262, with an increase of \$146,280. The increase is attributed to a slight increase in revenues.

The fund balance of the Motor Vehicle and Gas Tax special revenue fund increased \$554,852. The Job and Family Services fund, and Board of Mental Retardation, special revenue fund balances increased \$486,007, and \$113,216, respectively, while the Early Childhood Grant capital project fund balance increased \$1,148,523 due to the loan proceeds received to build an early childhood center.

Proprietary Fund – The County's only major proprietary fund is the Bidwell/Porter sewer enterprise fund, which accounts for the providing of sewer services to the Bidwell/Porter area. For fiscal years 2005, and 2006, program revenues have not been adequate to cover the costs of the operation. For 2006, the fund had a decrease in net assets of \$116,604.

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 13 percent or \$950,212 in the General fund. This increase was largely due to the fact that the County transferred out significantly more than originally budgeted. The County spent 99 percent of the amount appropriated in the General fund during 2006.

The General fund's budgeted revenue increased \$539,747 over the original amount during 2006. This is a result of Gallia County's steady economic conditions. The General fund's budgeted expenditures decreased \$166,234 from the original amount. 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, 2006 amounts to \$13,578,286, (net of accumulated depreciation). This investment in capital assets includes construction in progress, land and improvements, buildings and improvements, furniture and fixtures, and equipment, vehicles, and infrastructure.

Table 4
 Capital Assets at December 31, 2006 and 2005
 (Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Land	\$ 488,565	\$ 488,565	\$ -	\$ -	\$ 488,565	\$ 488,565
Construction in progress	-	-	169,476	60,034	169,476	60,034
Land improvements	28,812	33,744	-	-	28,812	33,744
Buildings and improvements	1,785,925	1,889,781	4,512,856	4,663,785	6,298,781	6,553,566
Furniture, fixtures and equipment	2,455,757	2,807,858	10,747	14,651	2,466,504	2,822,509
Vehicles	770,581	878,451	-	-	770,581	878,451
Infrastructure	<u>3,355,567</u>	<u>2,504,515</u>	<u>-</u>	<u>-</u>	<u>3,355,567</u>	<u>2,504,515</u>
Total	<u>\$ 8,885,207</u>	<u>\$ 8,602,914</u>	<u>\$ 4,693,079</u>	<u>\$ 4,738,470</u>	<u>\$ 13,578,286</u>	<u>\$ 13,341,384</u>

For more information regarding the County's capital assets, see Note 7 of the notes to the basic financial statements.

Debt

At December 31, 2006, the County had total long-term debt obligations outstanding of \$4,121,030. Of this total, \$169,887 is due within one year and \$3,951,143 is due in more than one year. Table 5 below summarizes the bonds and loans outstanding:

Table 5
 Outstanding Debt, at Fiscal Year End

	Governmental Activities		Business-Type Activities		Total	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
General obligation bonds	\$ 1,950,204	\$ 595,000	\$ -	\$ -	\$ 1,950,204	\$ 595,000
Loans payable	-	-	347,726	249,784	347,726	249,784
Revenue bonds	<u>-</u>	<u>-</u>	<u>1,823,100</u>	<u>1,845,700</u>	<u>1,823,100</u>	<u>1,845,700</u>
Total	<u>\$ 1,950,204</u>	<u>\$ 595,000</u>	<u>\$ 2,170,826</u>	<u>\$ 2,095,484</u>	<u>\$ 4,121,030</u>	<u>\$ 2,690,484</u>

The general obligation bonds will be repaid by the bond retirement debt service fund. The business-type long-term debt will be repaid by the Bidwell/Porter sewer or other enterprise funds. See Note 9 to the basic financial statements for detail on the County's long-term debt obligations.

At December 31, 2006, the County had outstanding capital leases for \$12,582, with \$5,089 due within one year reported in governmental activities.

At December 31, 2006, the County's overall legal debt margin was \$11,748,248 with an unvoted debt margin of \$6,079,381.

Gallia County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2006
Unaudited

Economic Factors

The County's budget for the General fund in 2007 is conservative. 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. 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 2006. The rates charged remain unchanged and expenses for sewer operations are anticipated to remain stable.

Contacting the County's Financial Management

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

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Gallia County, Ohio

Statement of Net Assets

December 31, 2006

	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	\$ 7,005,496	\$ 463,977	\$ 7,469,473	\$ 27,811	\$ 101,682
Cash and cash equivalents:					
In segregated accounts	55,991	-	55,991	-	
Materials and supplies inventory	262,601	-	262,601	9,546	16,751
Receivables:					
Property taxes	2,913,468	-	2,913,468	-	-
Sales taxes	610,396	-	610,396	-	-
Accounts	327,244	43,711	370,955	-	881
Intergovernmental	6,956,934	-	6,956,934	-	-
Accrued interest	14,045	-	14,045	-	-
Loan	72,208	-	72,208	-	-
Prepaid items	52,040	-	52,040	-	-
Nondepreciable capital assets	488,565	169,476	658,041	-	-
Depreciable capital assets, net	8,396,642	4,523,603	12,920,245	376,112	33,619
Total assets	27,155,630	5,200,767	32,356,397	413,469	152,933
	-				
Liabilities:					
Accounts payable	280,217	-	280,217	-	339
Contracts payable	163,097	-	163,097	-	-
Intergovernmental payable	565,927	3,168	569,095	-	-
Accrued wages and benefits	287,525	639	288,164	-	-
Matured compensated absences payable	21,968	-	21,968	-	-
Deferred revenue	2,828,328	-	2,828,328	-	-
Accrued interest payable	-	61,530	61,530	-	-
Deposits held and due to others	2,850	-	2,850	-	-
Long-term liabilities:					
Due within one year	1,077,685	42,603	1,120,288	-	-
Due in more than one year	2,408,033	2,145,678	4,553,711	-	-
Total liabilities	7,635,630	2,253,618	9,889,248	-	339
Net assets:					
Invested in capital assets, net of related debt	6,922,421	2,522,253	9,444,674	376,112	33,619
Restricted for:					
Roads and bridges	2,577,642	-	2,577,642	-	-
Mental retardation and developmental disabilities	146,613	-	146,613	-	-
Human services	2,159,930	-	2,159,930	-	-
Community development projects	279,042	-	279,042	-	-
Early Childhood	2,762,693	-	2,762,693	-	-
Other purposes	2,882,869	-	2,882,869	-	-
Unrestricted	1,788,790	424,896	2,213,686	37,357	118,975
Total net assets	\$ 19,520,000	\$ 2,947,149	\$ 22,467,149	\$ 413,469	\$ 152,594

See accompanying notes to the basic financial statements.

Gallia County, Ohio
Statement of Activities
For the Year Ended December 31, 2006

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General government:				
Legislative and executive	\$ 3,124,822	\$ 1,152,626	\$ 21,797	\$ -
Judicial	1,079,733	233,905	176,977	-
Public safety	4,538,885	1,215,289	169,030	-
Public works	4,477,769	73,333	3,883,624	358,064
Health	2,628,058	224,848	1,739,982	-
Human services	9,910,966	62,513	9,750,203	-
Conservation and recreation	386,780	-	411,307	-
Community and economic development	754,164	-	682,665	-
Other	674,691	130,771	-	-
Interest and fiscal charges	31,326	132	-	-
Total governmental activities	<u>27,607,194</u>	<u>3,093,417</u>	<u>16,835,585</u>	<u>358,064</u>
Business-Type Activities:				
Bidwell/Porter Sewer	314,355	184,913	-	-
Sewer	89,400	83,052	-	-
Total business-type activities	<u>403,755</u>	<u>267,965</u>	<u>-</u>	<u>-</u>
Total primary government	<u>28,010,949</u>	<u>3,361,382</u>	<u>16,835,585</u>	<u>358,064</u>
Component Unit:				
Gallia-Meigs Regional Airport	159,235	122,107	35,949	-
Gallco Industries, Inc.	114,026	30,250	77,533	-
Total component units	<u>\$ 273,261</u>	<u>\$ 152,357</u>	<u>\$ 113,482</u>	<u>\$ -</u>

General Revenues:

Property taxes levied for:

General purposes

Board of mental retardation

Sales taxes levied for:

General purposes

Public safety

Grants and entitlements not restricted to specific programs

Investment earnings

Miscellaneous

Total general revenues

Change in net assets

Net assets at beginning of year

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.
\$ (1,950,399)	\$ -	\$ (1,950,399)	\$ -	\$ -
(668,851)	-	(668,851)	-	-
(3,154,566)	-	(3,154,566)	-	-
(162,748)	-	(162,748)	-	-
(663,228)	-	(663,228)	-	-
(98,250)	-	(98,250)	-	-
24,527	-	24,527	-	-
(71,499)	-	(71,499)	-	-
(543,920)	-	(543,920)	-	-
(31,194)	-	(31,194)	-	-
<u>(7,320,128)</u>	<u>-</u>	<u>(7,320,128)</u>	<u>-</u>	<u>-</u>
-	(129,442)	(129,442)	-	-
-	(6,348)	(6,348)	-	-
<u>-</u>	<u>(135,790)</u>	<u>(135,790)</u>	<u>-</u>	<u>-</u>
<u>(7,320,128)</u>	<u>(135,790)</u>	<u>(7,455,918)</u>	<u>-</u>	<u>-</u>
-	-	-	(1,179)	-
-	-	-	-	(6,243)
-	-	-	(1,179)	(6,243)
1,273,076	-	1,273,076	-	-
658,004	-	658,004	-	-
3,099,354	-	3,099,354	-	-
774,589	-	774,589	-	-
1,731,760	-	1,731,760	-	-
421,578	12,652	434,230	-	1,133
914,817	186	915,003	23	-
<u>8,873,178</u>	<u>12,838</u>	<u>8,886,016</u>	<u>23</u>	<u>1,133</u>
1,553,050	(122,952)	1,430,098	(1,156)	(5,110)
<u>17,966,950</u>	<u>3,070,101</u>	<u>21,037,051</u>	<u>414,625</u>	<u>157,704</u>
<u>\$ 19,520,000</u>	<u>\$ 2,947,149</u>	<u>\$ 22,467,149</u>	<u>\$ 413,469</u>	<u>\$ 152,594</u>

Gallia County, Ohio

Balance Sheet

Governmental Funds

December 31, 2006

	General	Motor Vehicle and Gas Tax	Job and Family Services
Assets:			
Equity in pooled cash and cash equivalents	\$ 1,255,471	\$ 913,344	\$ 462,575
Cash and cash equivalents:			
In segregated accounts	-	-	-
Materials and supplies inventory	5,387	243,787	10,120
Receivables:			
Property taxes	1,904,960	-	-
Sales taxes	488,406	-	-
Accounts	43,753	1,373	-
Intergovernmental	269,780	1,766,945	2,605,114
Interfund	1,628	-	-
Accrued interest	14,045	-	-
Loan	-	-	-
Prepaid items	52,040	-	-
Total assets	<u>\$ 4,035,470</u>	<u>\$ 2,925,449</u>	<u>\$ 3,077,809</u>
Liabilities:			
Accounts payable	\$ 73,241	\$ 31,752	\$ 88,264
Contracts payable	-	-	-
Accrued wages and benefits	72,089	45,225	58,535
Intergovernmental payable	116,871	30,999	299,695
Matured compensated absences	-	-	21,968
Interfund payable	-	-	98,006
Deferred revenue	2,067,157	1,177,963	1,687,988
Deposits held and due to others	2,850	-	-
Total liabilities	<u>2,332,208</u>	<u>1,285,939</u>	<u>2,254,456</u>
Fund Balances:			
Reserved for encumbrances	165,525	5,603	67,029
Reserved for loans	-	-	-
Reserved for unclaimed monies	66,403	-	-
Unreserved:			
Undesignated, reported in:			
General fund	1,471,334	-	-
Special revenue funds	-	1,633,907	756,324
Capital projects funds	-	-	-
Total fund balances	<u>1,703,262</u>	<u>1,639,510</u>	<u>823,353</u>
Total liabilities and fund balances	<u>\$ 4,035,470</u>	<u>\$ 2,925,449</u>	<u>\$ 3,077,809</u>

See accompanying notes to the basic financial statements.

Board of Mental Retardation	Early Childhood Grant	Other Governmental Funds	Total Governmental Funds
\$ 79,339	\$ 1,502,359	\$ 2,417,941	\$ 6,631,029
1,840	-	54,151	55,991
3,307	-	-	262,601
1,008,508	-	-	2,913,468
-	-	121,990	610,396
67,161	-	214,957	327,244
128,856	1,375,000	811,239	6,956,934
-	-	108,567	110,195
-	-	-	14,045
-	-	72,208	72,208
-	-	-	52,040
<u>\$ 1,289,011</u>	<u>\$ 2,877,359</u>	<u>\$ 3,801,053</u>	<u>\$ 18,006,151</u>
\$ 19,847	\$ 10,876	\$ 56,237	\$ 280,217
-	103,790	59,307	163,097
25,830	-	73,438	275,117
29,728	-	88,634	565,927
-	-	-	21,968
-	-	12,189	110,195
1,083,919	1,375,000	742,095	8,134,122
-	-	-	2,850
<u>1,159,324</u>	<u>1,489,666</u>	<u>1,031,900</u>	<u>9,553,493</u>
10,058	-	63,111	311,326
-	-	72,208	72,208
-	-	-	66,403
-	-	-	1,471,334
119,629	-	2,633,834	5,143,694
-	1,387,693	-	1,387,693
<u>129,687</u>	<u>1,387,693</u>	<u>2,769,153</u>	<u>8,452,658</u>
<u>\$ 1,289,011</u>	<u>\$ 2,877,359</u>	<u>\$ 3,801,053</u>	<u>\$ 18,006,151</u>

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Gallia County, Ohio
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 December 31, 2006*

Total governmental fund balances		\$ 8,452,658
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		8,885,207
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Property taxes	\$ 265,787	
Charges for services	137,530	
Intergovernmental	4,902,477	
Total		5,305,794
An internal service fund is used by management to charge the cost of insurance to individuals. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.		362,059
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
General obligation bonds and loans	\$ (1,950,204)	
Compensated absences	(1,522,932)	
Capital leases payable	(12,582)	
Total		(3,485,718)
Net assets of governmental activities		\$ 19,520,000

See accompanying notes to the basic financial statements.

Gallia County, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2006

	<u>General</u>	<u>Motor Vehicle and Gas Tax</u>
Revenues:		
Property taxes	\$ 1,257,305	\$ -
Sales taxes	3,099,354	-
Charges for services	1,245,455	-
Licenses and permits	15,889	-
Fines and forfeitures	34,585	27,487
Intergovernmental	1,745,189	3,911,532
Interest	371,371	36,486
Other	303,011	69,967
Total revenues	<u>8,072,159</u>	<u>4,045,472</u>
Expenditures:		
Current:		
General government:		
Legislative and executive	2,175,726	-
Judicial	860,094	-
Public safety	2,463,109	-
Public works	136,719	3,231,983
Health	51,711	-
Human services	304,889	-
Conservation and recreation	-	-
Community and economic development	-	-
Other	666,040	-
Capital outlay	114,879	385,588
Debt service:		
Principal retirement	5,540	-
Interest and fiscal charges	726	-
Total expenditures	<u>6,779,433</u>	<u>3,617,571</u>
Excess of revenues over (under) expenditures	<u>1,292,726</u>	<u>427,901</u>
Other financing sources (uses):		
Proceeds from loan	-	126,951
Transfers in	-	-
Transfers out	(1,146,446)	-
Inception of capital leases	-	-
Total other financing sources (uses)	<u>(1,146,446)</u>	<u>126,951</u>
Net change in fund balances	146,280	554,852
Fund balances at beginning of year	<u>1,556,982</u>	<u>1,084,658</u>
Fund balances at end of year	<u>\$ 1,703,262</u>	<u>\$ 1,639,510</u>

Job and Family Services	Board of Mental Retardation	Early Childhood Grant	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 649,655	\$ -	\$ -	\$ 1,906,960
-	-	-	774,589	3,873,943
-	163,779	-	1,626,465	3,035,699
-	-	-	-	15,889
-	-	-	2,420	64,492
7,684,084	1,652,552	-	4,200,970	19,194,327
-	-	-	13,721	421,578
319,162	28,619	2,550	194,058	917,367
8,003,246	2,494,605	2,550	6,812,223	29,430,255
-	-	-	753,942	2,929,668
-	-	-	214,583	1,074,677
-	-	-	1,970,182	4,433,291
-	-	-	419,787	3,788,489
-	2,359,955	-	128,423	2,540,089
7,724,125	-	-	1,851,060	9,880,074
-	-	-	352,441	352,441
-	-	-	707,496	707,496
-	-	-	8,651	674,691
59,924	25,977	518,027	361,380	1,465,775
-	5,413	-	251,747	262,700
-	555	-	30,045	31,326
7,784,049	2,391,900	518,027	7,049,737	28,140,717
219,197	102,705	(515,477)	(237,514)	1,289,538
-	-	1,480,000	-	1,606,951
266,810	-	184,000	695,636	1,146,446
-	-	-	-	(1,146,446)
-	10,511	-	-	10,511
266,810	10,511	1,664,000	695,636	1,617,462
486,007	113,216	1,148,523	458,122	2,907,000
337,346	16,471	239,170	2,311,031	5,545,658
\$ 823,353	\$ 129,687	\$ 1,387,693	\$ 2,769,153	\$ 8,452,658

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, 2006

Net change in fund balances - total governmental funds		\$ 2,907,000
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capital asset additions	\$ 1,208,846	
Depreciation expense	<u>(916,387)</u>	
Excess of capital additions over depreciation expense		292,459
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.		
		(10,166)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	\$ 24,120	
Charges for services	(59,168)	
Intergovernmental	<u>(234,963)</u>	
Total		<u>(270,011)</u>
Repayment of bond principal and capital leases is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
		262,700
New capital lease obligations in the statement of revenues, expenditures and changes in fund balances that are reported as other financing sources are not reported as revenues in the statement of activities.		
		(10,511)
The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.		
		113,864
Proceeds of bonds and loans provide current financial resources and are reported as a financing source in the governmental funds, but are not reported as such in the statement of activities.		
		(1,606,951)
Some expenses reported in the statement of activities, such as compensated absences do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		<u>(125,334)</u>
Change in net assets of governmental activities		<u><u>\$ 1,553,050</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 (Non-GAAP Basis)*
General Fund
For the Year ended December 31, 2006

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Property taxes	\$ 1,674,723	\$ 1,257,305	\$ 1,257,305	\$ -
Sales taxes	2,579,562	3,058,995	3,058,995	-
Charges for services	1,033,578	1,226,100	1,226,100	-
Licenses and permits	15,464	15,889	15,889	-
Fines and forfeitures	28,353	33,896	33,896	-
Intergovernmental	1,571,083	1,744,723	1,744,723	-
Interest	309,300	366,886	366,886	-
Other	256,719	304,735	304,735	-
Total revenues	<u>7,468,782</u>	<u>8,008,529</u>	<u>8,008,529</u>	<u>-</u>
Expenditures:				
Current:				
General government:				
Legislative and executive	2,421,701	2,270,130	2,264,435	5,695
Judicial	937,939	971,156	959,588	11,568
Public safety	2,414,138	2,490,292	2,489,144	1,148
Public works	98,825	184,264	184,264	-
Health	105,761	69,419	60,676	8,743
Human services	598,136	327,474	323,964	3,510
Other	676,800	663,406	660,985	2,421
Capital outlay	94,800	205,725	204,457	1,268
Total expenditures	<u>7,348,100</u>	<u>7,181,866</u>	<u>7,147,513</u>	<u>34,353</u>
Excess of revenues over (under) expenditures	<u>120,682</u>	<u>826,663</u>	<u>861,016</u>	<u>34,353</u>
Other financing sources (uses):				
Advances - in	-	4,432	4,432	-
Advances - out	-	-	(1,629)	(1,629)
Transfers - out	(30,000)	(1,146,446)	(1,146,446)	-
Total other financing sources (uses)	<u>(30,000)</u>	<u>(1,142,014)</u>	<u>(1,143,643)</u>	<u>(1,629)</u>
Net change in fund balance	90,682	(315,351)	(282,627)	32,724
Fund balance at beginning of year	1,149,088	1,149,088	1,149,088	-
Prior year encumbrances appropriated	118,558	118,558	118,558	-
Fund balance at end of year	<u>\$ 1,358,328</u>	<u>\$ 952,295</u>	<u>\$ 985,019</u>	<u>\$ 32,724</u>

See accompanying notes to the basic financial statements.

Gallia County, Ohio
*Statement of Revenues, Expenditures and Changes in Fund Balance -
 Budget and Actual (Non-GAAP Basis)
 Motor Vehicle and Gas Tax Fund
 For the Year ended December 31, 2006*

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Fines and forfeitures	\$ 28,919	\$ 26,114	\$ 26,114	\$ -
Intergovernmental	3,938,638	3,945,425	3,945,425	-
Interest	36,250	36,486	36,486	-
Other	69,242	69,967	69,967	-
Total revenues	<u>4,073,049</u>	<u>4,077,992</u>	<u>4,077,992</u>	<u>-</u>
Expenditures:				
Current:				
Public works	2,979,136	3,382,856	3,382,856	-
Capital outlay	651,200	396,741	396,741	-
Total expenditures	<u>3,630,336</u>	<u>3,779,597</u>	<u>3,779,597</u>	<u>-</u>
Excess of revenues over (under) expenditures	<u>442,713</u>	<u>298,395</u>	<u>298,395</u>	<u>-</u>
Other financing sources (uses):				
Transfers - in	126,951	126,951	126,951	-
Net change in fund balance	569,664	425,346	425,346	-
Fund balance at beginning of year	476,842	476,842	476,842	-
Prior year encumbrances appropriated	-	-	-	-
Fund balance at end of year	<u>\$ 1,046,506</u>	<u>\$ 902,188</u>	<u>\$ 902,188</u>	<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 (Non-GAAP Basis)
 Job and Family Services Fund
 For the Year ended December 31, 2006*

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental	\$ 7,504,196	\$ 7,283,336	\$ 7,283,336	\$ -
Other	328,994	319,162	319,162	-
Total revenues	<u>7,833,190</u>	<u>7,602,498</u>	<u>7,602,498</u>	<u>-</u>
Expenditures:				
Current:				
Human services	8,315,774	7,905,894	7,903,202	2,692
Capital Outlay	86,946	72,839	59,924	12,915
Total expenditures	<u>8,402,720</u>	<u>7,978,733</u>	<u>7,963,126</u>	<u>15,607</u>
Excess of revenues over (under) expenditures	<u>(569,530)</u>	<u>(376,235)</u>	<u>(360,628)</u>	<u>15,607</u>
Other financing sources (uses):				
Transfers - in	<u>266,810</u>	<u>266,810</u>	<u>266,810</u>	<u>-</u>
Net change in fund balance	(302,720)	(109,425)	(93,818)	15,607
Fund balance at beginning of year	74,605	74,605	74,605	-
Prior year encumbrances appropriated	<u>249,472</u>	<u>249,472</u>	<u>249,472</u>	<u>-</u>
Fund balance at end of year	<u>\$ 21,357</u>	<u>\$ 214,652</u>	<u>\$ 230,259</u>	<u>\$ 15,607</u>

See accompanying notes to the basic financial statements.

Gallia County, Ohio
*Statement of Revenues, Expenditures and Changes in Fund Balance -
 Budget and Actual (Non-GAAP Basis)*
Board of Mental Retardation Fund
For the Year ended December 31, 2006

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Property taxes	\$ 893,642	\$ 656,821	\$ 656,821	\$ -
Charges for services	142,149	177,645	177,645	-
Intergovernmental	1,303,153	1,563,505	1,563,505	-
Other	22,888	28,619	28,619	-
Total revenues	<u>2,361,832</u>	<u>2,426,590</u>	<u>2,426,590</u>	<u>-</u>
Expenditures:				
Current:				
Health	2,381,708	2,391,730	2,391,730	-
Capital Outlay	42,650	16,216	16,216	-
Total expenditures	<u>2,424,358</u>	<u>2,407,946</u>	<u>2,407,946</u>	<u>-</u>
Net change in fund balance	(62,526)	18,644	18,644	-
Fund balance at beginning of year	49,374	49,374	49,374	-
Prior year encumbrances appropriated	-	-	-	-
Fund balance at end of year	<u>\$ (13,152)</u>	<u>\$ 68,018</u>	<u>\$ 68,018</u>	<u>\$ -</u>

See accompanying notes to the basic financial statements.

Gallia County, Ohio
Statement of Fund Net Assets
Proprietary Funds
December 31, 2006

	Bidwell/Porter Sewer	Other Enterprise Funds	Total Enterprise	Governmental Activities Internal Service
Assets:				
Current assets:				
Equity in pooled cash and cash equivalents	\$ 408,384	\$ 55,593	\$ 463,977	\$ 374,467
Receivables				
Accounts	38,041	5,670	43,711	-
Total current assets	446,425	61,263	507,688	374,467
Noncurrent assets:				
Non-depreciable capital assets	-	169,476	169,476	-
Depreciable capital assets, net	4,169,803	353,800	4,523,603	-
Total assets	4,616,228	584,539	5,200,767	374,467
Liabilities:				
Current liabilities:				
Accrued wages and benefits	300	339	639	12,408
Intergovernmental payable	2,603	565	3,168	-
Accrued interest payable	61,530	-	61,530	-
Compensated absences	-	4,803	4,803	-
Revenue bonds payable	26,300	-	26,300	-
OPWC loans payable	11,500	-	11,500	-
Total current liabilities	102,233	5,707	107,940	12,408
Long-term liabilities:				
Compensated absences	-	12,652	12,652	-
Revenue bonds payable	1,796,800	-	1,796,800	-
OPWC loans payable	166,750	-	166,750	-
OWDA loans payable	-	169,476	169,476	-
Total long-term liabilities	1,963,550	182,128	2,145,678	-
Total liabilities	2,065,783	187,835	2,253,618	12,408
Net assets:				
Invested in capital assets, net of related debt	2,168,453	353,800	2,522,253	-
Unrestricted	381,992	42,904	424,896	362,059
Total net assets	\$ 2,550,445	\$ 396,704	\$ 2,947,149	\$ 362,059

See accompanying notes to the basic financial statements.

Gallia County, Ohio
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds
For the Year Ended December 31, 2006

	Bidwell/Porter Sewer	Other Enterprise Funds	Total Enterprise	Governmental Activities Internal Service
Operating revenues:				
Charges for services	\$ 184,913	\$ 83,052	\$ 267,965	\$ -
Other	186	-	186	541,222
Total operating revenues	<u>185,099</u>	<u>83,052</u>	<u>268,151</u>	<u>541,222</u>
Operating expenses:				
Personal services	27,775	26,547	54,322	427,358
Contract services	48,358	42,871	91,229	-
Materials and supplies	4,376	3,790	8,166	-
Depreciation	146,219	8,614	154,833	-
Other	12,671	7,578	20,249	-
Total operating expenses	<u>239,399</u>	<u>89,400</u>	<u>328,799</u>	<u>427,358</u>
Operating income (loss)	<u>(54,300)</u>	<u>(6,348)</u>	<u>(60,648)</u>	<u>113,864</u>
Nonoperating revenues (expenses):				
Interest income	12,652	-	12,652	-
Interest and fiscal charges	(74,956)	-	(74,956)	-
Total nonoperating revenues (expenses)	<u>(62,304)</u>	<u>-</u>	<u>(62,304)</u>	<u>-</u>
Change in net assets	(116,604)	(6,348)	(122,952)	113,864
Net assets at beginning of year	<u>2,667,049</u>	<u>403,052</u>	<u>3,070,101</u>	<u>248,195</u>
Net assets at end of year	<u>\$ 2,550,445</u>	<u>\$ 396,704</u>	<u>\$ 2,947,149</u>	<u>\$ 362,059</u>

See accompanying notes to the basic financial statements.

Gallia County, Ohio
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2006

	Bidwell/Porter Sewer	Other Enterprise Funds	Total Enterprise	Governmental Activities Internal Service
Cash flows from operating activities:				
Cash received from customers	\$ 183,651	\$ 87,279	\$ 270,930	\$ -
Cash received from other operating revenue	186	-	186	541,222
Cash payments for personal services	(15,592)	(17,647)	(33,239)	-
Cash payments for contract services, materials and supplies, and other	(78,236)	(54,239)	(132,475)	(420,012)
Net cash provided by operating activities	<u>90,009</u>	<u>15,393</u>	<u>105,402</u>	<u>121,210</u>
Cash flows from capital and related financing activities:				
Proceed from OWDA loan	-	169,889	169,889	-
Principal paid on notes and loans	(34,100)	(60,447)	(94,547)	-
Interest paid on notes and loans	(83,057)	-	(83,057)	-
Acquisition of capital assets	-	(109,442)	(109,442)	-
Net cash used for capital and related financing activities	<u>(117,157)</u>	<u>-</u>	<u>(117,157)</u>	<u>-</u>
Cash flows from investing activities:				
Cash received from interest	<u>12,652</u>	<u>-</u>	<u>12,652</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(14,496)	15,393	897	121,210
Cash and cash equivalents at beginning of year	<u>422,880</u>	<u>40,200</u>	<u>463,080</u>	<u>253,257</u>
Cash and cash equivalents at end of year	<u>\$ 408,384</u>	<u>\$ 55,593</u>	<u>\$ 463,977</u>	<u>\$ 374,467</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ (54,300)	\$ (6,348)	\$ (60,648)	\$ 113,864
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	146,219	8,614	154,833	-
Changes in assets and liabilities:				
(Increase) decrease in assets:				
Accounts receivable	(1,262)	4,227	2,965	-
Increase (decrease) in liabilities:				
Accounts payable	(617)	-	(617)	-
Accrued wages and benefits	(1,181)	(187)	(1,368)	7,346
Intergovernmental payable	1,150	46	1,196	-
Compensated absences payable	-	9,041	9,041	-
Net cash provided by operating activities	<u>\$ 90,009</u>	<u>\$ 15,393</u>	<u>\$ 105,402</u>	<u>\$ 121,210</u>

See accompanying notes to the basic financial statements.

Gallia County, Ohio
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
December 31, 2006

	Agency
Assets:	
Equity in pooled cash and cash equivalents	\$ 2,278,512
Cash and cash equivalents:	
In segregated accounts	352,933
Receivables:	
Property taxes	22,309,056
Accounts	329,784
Intergovernmental	1,781,972
Special assessments	33,068
Total assets	\$ 27,085,325
 Liabilities:	
Intergovernmental payable	\$ 23,691,210
Undistributed monies	3,387,872
Deposits held and due to others	6,243
Total liabilities	\$ 27,085,325

See accompanying notes to the basic financial statements.

Gallia County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

NOTE 1 - DESCRIPTION OF GALLIA COUNTY AND REPORTING ENTITY

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

Reporting Entity

For financial reporting purposes, the County complies with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, as amended by GASB Statement No. 39, in defining the financial reporting entity. The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements of the County are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the County. For Gallia County, this includes the Gallia County Board of Mental Retardation and Development Disabilities, Gallia County Children Services Board, Gallia County Department of 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 discretely presented component unit of Gallia County. Gallco Industries, Inc. operates on a calendar year basis. 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. Gallco Industries restated their beginning net assets from \$146,220 to \$157,704 primarily due to capital asset and related accumulated depreciation corrections.

Gallia County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

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. Five members are appointed by Gallia County. The Gallia County Commissioners approve the budget, expenditures, fund deficits and are directly responsible for their debt. All of the land and fixed assets at the airport belong to the County with the exception of a new runway lighting system purchased in 1996. The Airport utilizes the facilities of the County. A manager contracted by the airport authority board operates as a fixed based operator. The Airport generates revenue from sales and rental space. Grants are applied for in the County Commissioners and the airport authority's name. Meigs County does not contribute financially to the Airport operations. The Gallia-Meigs Regional Airport is reflected as a discretely presented component unit of Gallia County. Complete audited financial statements of the component unit can be obtained from the Gallia County Commissioners' Office, Gallia County Courthouse, 18 Locust Street, Gallipolis, OH 45631.

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

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

The County is associated with the following organizations that are defined as jointly governed organizations, related organizations or risk management pool. These organizations are presented in Notes 18, 19 and 20 to the basic financial statements.

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

Gallia County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

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

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

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

Gallia County Health Department is governed by a five member Board of Health which oversees the operation of the Health District. The Board is elected by a District Advisory Council 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 to 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 Association 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 Association, the County is not involved in the selection of trustees or management of the Law Library Association or in the authorization of expenditures.

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

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

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 follows GASB guidance as applicable to its governmental and business-type activities, and Financial Accounting Standards Board (FASB) statements and interpretations, Accounting Principles Board opinions, and Accounting Research Board bulletins issued on or before November 30, 1989, that do not conflict with or contradict GASB pronouncements or that have been made applicable by the GASB. The County has elected to follow GASB guidance for business-type activities and enterprise funds rather than FASB guidance issued after November 30, 1989. The most significant of the County's accounting policies are described below.

Gallia County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

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

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.

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 activity of the Internal Service fund is eliminated to avoid "doubling up" revenues and expenses. The statements distinguish between those activities of the County that are governmental and those that are considered business-type activities.

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.

Gallia County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

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

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

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

Early Childhood Grant Fund - This fund accounts for state monies received for capital assistance for construction of a new Early Childhood Family Center.

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.

Enterprise funds are used to report the same functions presented as business type activities in the government-wide financial statements. Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods and services. The following is the County's only major enterprise fund:

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

Internal Service Fund - The Employee Benefits Trust Fund Internal Service fund accounts for funds held in reserve to cover excess costs in providing health insurance for the County's employees.

Fiduciary Funds - Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary funds consist 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, 2006

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 11). 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, 2006, but which were levied to finance fiscal year 2007 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

Gallia County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

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

E. Budgetary Process

All funds, except 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 original budget approved by the County Commissioners. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the County Commissioners during the year.

F. Cash and Cash Equivalents

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

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

Interest revenue is distributed by the County to the General Fund, Motor Vehicle and Gas Tax Fund, and other governmental funds. Interest revenue credited to these funds during 2006 amounted to \$371,371, \$36,486, and \$13,721 respectively.

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

G. Inventory

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

Gallia County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

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

On fund financial statements, inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. The cost of inventory items is recorded as 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, 2006, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

I. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The County raised their capitalization threshold in 2005 from five hundred dollars to one thousand dollars. Beginning in 2004, the County's capitalization threshold for infrastructure is as follows: \$100,000 for roads, bridges and culverts and \$50,000 for all traffic signals, street lighting, signage, guardrails, retaining walls and related items. The County's infrastructure consists of roads, bridges, and culverts. During 2003, the County elected to phase in their infrastructure. Therefore, the County has reported current year additions for 2006, however amounts prior to 2003 will be captured in the future. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of enterprise fund capital assets is also capitalized.

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

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

J. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans and amounts due to or from other funds for services provided and used are classified as "interfund receivables/payables." These amounts are eliminated in the governmental and business-type activities columns of the statement of net assets, except for any net residual amounts due between governmental and business-type activities, which are presented as internal receivables and payables. As of December 31, 2006, there were no internal receivables and payables to report on the statement of net assets.

Gallia County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

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

K. Compensated Absences

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

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

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

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 as payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

L. Accrued Liabilities and Long-term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. Bonds, capital leases and long-term notes and loans are recognized as a liability in the governmental fund financial statements when due.

M. Fund Balance Reserves

The County reserves those portions of fund balance 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 indicates the portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances, loans, and unclaimed monies.

N. Net Assets

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

Of the County's \$10,808,789 restricted net assets, none are restricted by enabling legislation.

Gallia County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

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

O. Operating Revenues and Expenses

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

P. Interfund Transactions

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

Q. Estimates

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

NOTE 3 - 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 (Non-GAAP 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 are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance.
4. Proceeds from and principal payments on short-term note obligations are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
5. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

Gallia County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

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
GAAP Basis	\$ 146,280	\$ 554,852	\$ 486,007	\$ 113,216
Net Adjustments for:				
Revenue accruals	(63,630)	32,520	(400,748)	(68,015)
Expenditure accruals	(98,515)	(150,873)	53,238	(4,724)
Advances -in / out	2,803	-	-	(10,511)
Adjustment for encumbrances	(269,565)	(11,153)	(232,315)	(11,322)
Budget basis	\$ (282,627)	\$ 425,346	\$ (93,818)	\$ 18,644

NOTE 4 - 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 either as cash in the County treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

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

Gallia County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

NOTE 4 - CASH, DEPOSITS AND INVESTMENTS *(Continued)*

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

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

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

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

Undeposited Cash

At year-end, the County had \$111,476 in undeposited cash on hand which is included as part of "Equity in pooled cash and cash equivalents."

Deposits

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

Gallia County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

NOTE 4 - CASH, DEPOSITS AND INVESTMENTS *(Continued)*

As of December 31, 2006, the County's bank balance of \$10,369,323 is either covered by FDIC or collateralized by the financial institutions public entity deposit pools in the manner as described above.

B. Component Units

Deposits and Investments

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

Gallco Industries, Inc. At year end, the carrying amount of Gallco Industries, Inc. deposits was \$101,682. There are no statutory guidelines regarding the deposit and investment of funds by the non-profit corporation.

Gallia-Meigs Regional Airport Authority At year end, the amount of the Gallia-Meigs Regional Airport Authority equity in the County's internal investment pool was \$27,811.

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Due to general fund from:	
Nonmajor governmental funds	\$ 1,628
Total due to general fund from other funds	<u>\$ 1,628</u>
Due to nonmajor governmental funds from:	
Job and family services	\$ 98,006
Nonmajor governmental fund	<u>10,561</u>
Total due to nonmajor governmental funds from other funds	<u>\$ 108,567</u>

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 2006 were as follows:

Transfers from general fund to:	
Job and family services	\$ 266,810
Early childhood grant	184,000
Nonmajor governmental funds	<u>695,636</u>
Total transfers from general fund	<u>\$1,146,446</u>

Gallia County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS *(Continued)*

During 2006, the County made four transfers totaling \$400,000 from the General fund to the Emergency Medical Services fund to subsidize the program services. The General fund also transferred \$50,000, \$266,810, \$15,000, \$22,288, \$184,000, \$30,000, \$186, and \$3,784 to Dog & Kennel, Job & Family Service, Child Support Enforcement, Real Estate Assessment, Early Childhood Grant, Emergency Management Agency, State Domestic Preparation Equipment, and DRETAC funds, respectively. Finally, the General fund transferred \$174,378 to the Bond Retirement debt service fund for the repayment of bonds.

NOTE 6 - RECEIVABLES

Receivables at December 31, 2006 consisted of property taxes, sales taxes, accounts (billings for user charged services), interest and intergovernmental grants. All receivables are considered fully collectible.

A summary of the principal items of intergovernmental receivable follows:

Governmental Activities	
General Fund:	
Local government distributions	\$ 259,196
State property tax reimbursements	10,584
	269,780
Total general fund	
	269,780
Major Special Revenue Funds:	
Motor vehicle and gas tax	1,766,945
Job and family services	2,605,114
Board of mental retardation	128,856
	4,500,915
Total major special revenue funds	
	4,500,915
Major Capital Projects Fund:	
Early Childhood Grant	1,375,000
Nonmajor Special Revenue Funds:	
Community MR/DD	41,707
Community Development Block Grant	284,496
Gasline Project Grant	316,925
FAA Airport	57,810
Children Services	12,691
Emergency Management Agency	5,074
Wrap Management	47,173
State Victim's Grant	45,363
	811,239
Total Nonmajor Special Revenue Funds	
	811,239
Total intergovernmental receivable	
	\$ 6,956,934
Fiduciary Funds	
Agency Funds	\$ 1,781,972

Gallia County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

NOTE 7 - CAPITAL ASSETS

A summary of changes in general capital assets during 2006 were as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Nondepreciable capital assets:				
Land	\$ 488,565	\$ -	\$ -	\$ 488,565
Depreciable capital assets:				
Land improvements	273,266	-	-	273,266
Buildings and improvements	5,699,325	-	-	5,699,325
Furniture, fixtures and equipment	6,561,351	117,393	(49,766)	6,628,978
Vehicles	1,552,954	73,652	(49,666)	1,576,940
Infrastructure	2,992,326	1,017,801	-	4,010,127
Total depreciable capital assets	<u>17,079,222</u>	<u>1,208,846</u>	<u>(99,432)</u>	<u>18,188,636</u>
Accumulated Depreciation:				
Land improvements	(239,522)	(4,932)	-	(244,454)
Buildings and improvements	(3,809,544)	(103,856)	-	(3,913,400)
Furniture, fixtures and equipment	(3,753,493)	(467,255)	47,527	(4,173,221)
Vehicles	(674,503)	(173,595)	41,739	(806,359)
Infrastructure	(487,811)	(166,749)	-	(654,560)
Total accumulated depreciation	<u>(8,964,873)</u>	<u>(916,387)</u>	<u>89,266</u>	<u>(9,791,994)</u>
Depreciable capital assets, net	<u>8,114,349</u>	<u>292,459</u>	<u>(10,166)</u>	<u>8,396,642</u>
Governmental activities capital assets, net	<u>\$ 8,602,914</u>	<u>\$ 292,459</u>	<u>\$ (10,166)</u>	<u>\$ 8,885,207</u>

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

General government:	
Legislative and executive	\$ 170,917
Public safety	103,473
Public works	493,279
Health	54,170
Human services	74,408
Conservation and recreation	15,811
Community and economic development	4,329
Total governmental activities depreciation expense	<u>\$ 916,387</u>

Gallia County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

NOTE 7 - CAPITAL ASSETS (Continued)

A summary of changes in business-type capital assets during 2006 were as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Construction in Progress	\$ 60,034	\$ 109,442	\$ -	\$ 169,476
Non-Depreciable Capital Assets	60,034	109,442	-	169,476
Depreciable capital assets:				
Building and improvements	6,031,138	-	-	6,031,138
Furniture, fixtures and equipment	105,122	-	-	105,122
Total depreciable capital assets:	6,136,260	-	-	6,136,260
Accumulated depreciation:				
Building and improvements	(1,367,353)	(150,929)	-	(1,518,282)
Furniture, fixtures and equipment	(90,471)	(3,904)	-	(94,375)
Total accumulated depreciation	(1,457,824)	(154,833)	-	(1,612,657)
Depreciable capital assets, net	4,678,436	(154,833)	-	4,523,603
Business-type activities capital assets, net	<u>\$ 4,738,470</u>	<u>\$ (45,391)</u>	<u>\$ -</u>	<u>\$ 4,693,079</u>

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

NOTE 8 - 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 "Inception of capital lease" in the fund financial statements. The capital lease obligations reflected below as part of the long-term obligations represent the present value of the net future minimum lease payments on all capital leases. The equipment acquired has been capitalized in the Governmental Activities in the amount of \$10,953.

The following is a schedule of the future minimum lease payments under lease obligations which have been capitalized as of December 31, 2006.

<u>Year Ended</u>	<u>Capital Lease Obligations</u>
2007	\$ 5,842
2008	3,270
2009	2,413
2010	2,412
Total minimum lease payments	13,937
Less: amount representing interest	(1,355)
Present value of minimum lease payments	<u>\$ 12,582</u>

Gallia County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

NOTE 9 - LONG-TERM OBLIGATIONS

The County's governmental long-term obligations activity for the year ended December 31, 2006, was as follows:

<u>Purpose</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
General obligation bonds payable					
Solid waste recycling 1998-2012, 4.95%	\$ 190,000	\$ -	\$ (25,000)	\$ 165,000	\$ 25,000
EMS ambulances 2004-2008, 2.95%	78,000	-	(78,000)	-	-
County building 2003-2010, 2.90%	275,000	-	(55,000)	220,000	55,000
Early childhood building construction 2006-2036, 4.45%	-	1,480,000	-	1,480,000	10,169
Wheel loaders and forks 2006-2036, 3.23%	-	126,951	(41,747)	85,204	41,918
Parking lot expansion 2003-2010, 3.12%	<u>52,000</u>	<u>-</u>	<u>(52,000)</u>	<u>-</u>	<u>-</u>
Subtotal general obligation bonds	595,000	1,606,951	(251,747)	1,950,204	132,087
Compensated absences	1,397,598	1,522,932	(1,397,598)	1,522,932	940,509
Capital leases	<u>13,024</u>	<u>10,511</u>	<u>(10,953)</u>	<u>12,582</u>	<u>5,089</u>
Total governmental activities long-term obligations	<u>\$ 2,005,622</u>	<u>\$ 3,140,394</u>	<u>\$ (1,660,298)</u>	<u>\$ 3,485,718</u>	<u>\$ 1,077,685</u>

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

The County's general obligation bond issue for \$130,000 was issued for purpose of purchasing new ambulances for the emergency medical service. The debt was 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.

Gallia County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

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

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 was retired by the property taxes levied by the County.

The County's general obligation bond issue for \$1,480,000 was issued for the purpose of constructing an early family and childhood center. The debt will be retired by property taxes levied by the County until the building is completed and rental income is received.

The County's general obligation bond issue for \$126,951 was issued for the purpose of purchasing a Case 721 DXT wheel loader and forks for the county engineer. The debt will be retired from Motor Vehicle and Gas Tax revenues.

The County will pay compensated absences out of the fund from which the employee's salaries are paid, with the most significant funds being the General Fund, the Motor Vehicle and Gas Tax Fund, the Job and Family Services Fund, and the Board of Mental Retardation Fund. Capital lease obligations will be paid from the fund that maintains custody of the related assets.

Governmental Activities General Obligation Bonds

<u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 132,086	\$ 98,791	\$ 230,877
2008	149,092	78,448	227,540
2009	106,954	72,541	179,495
2010	113,153	68,005	181,158
2011	59,406	63,292	122,698
2012-2016	197,863	288,944	486,807
2017-2021	208,688	247,377	456,065
2022-2026	259,442	196,623	456,065
2027-2031	322,539	133,526	456,065
2032-2036	400,981	55,084	456,065
Total	<u><u>\$ 1,950,204</u></u>	<u><u>\$ 1,302,631</u></u>	<u><u>\$ 3,252,835</u></u>

Gallia County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

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

The County's business-type long-term obligations activity for the year ended December 31, 2006, was as follows:

<u>Purpose</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-type activities:					
Long-term loans payable:					
OPWC loan payable					
2002-2022 0.00%	\$ 189,750	\$ -	\$ (11,500)	\$ 178,250	\$ 11,500
OWDA loan, 2001, 5.65%	60,034	413	(60,447)	-	-
OWDA loan, 2006, 4.99%	-	156,466	-	156,466	-
OWDA loan 2006, 4.92%	-	13,010	-	13,010	-
Revenue bonds:					
Sewer improvement					
2001-2040, 4.50%	201,100	-	(2,400)	198,700	2,600
Sewer improvement					
2001-2040 4.50%	1,644,600	-	(20,200)	1,624,400	23,700
Compensated absences	8,414	17,455	(8,414)	17,455	4,803
Total business-type activities long-term obligations	<u>\$ 2,103,898</u>	<u>\$ 187,344</u>	<u>\$ (102,961)</u>	<u>\$ 2,188,281</u>	<u>\$ 42,603</u>

The Ohio Public Works Commission (OPWC) loan issued in the amount of \$230,000 is for utility construction projects. Property taxes and revenue of the utility facilities have been pledged to repay this debt.

The Sewer Improvement bonds issued in the amount of \$1,927,000 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, 2006

NOTE 9 - LONG-TERM OBLIGATIONS (Continued)

The 2001 OWDA Loan, which was previously shown as a governmental activities long-term obligation, was for wastewater system design relating to a new sewer project in the County. The loan, with an original amount of \$450,000, was placed on hold due to litigation over a previous sewer project with the engineering firm. The project was resumed with a new engineering firm. The cut-off date for this loan, however, was December 31, 2005. In February 2006, the County entered into an agreement with the Ohio Water Development Authority for a planning loan in the amount of \$400,000 which included the payment of the original 2001 OWDA Loan. The amount of the original loan remaining as of December 31, 2005 was rolled over through the issuance of the new obligation by OWDA. As a result, the 2001 OWDA Loan was paid off by the 2006 Planning Loan. The planning loan will be rolled over into a construction loan for payment. The loan will be repaid from pledged revenues charged for the services of the system. The balance of the loan as of December 31, 2006 consists of \$150,445 in disbursements and \$6,021 in capitalized interest.

The OWDA loan in the amount of \$13,010 is for the Green Township Sewer project. The loan will be repaid from pledged revenues charged for the services of the system. The amortization schedule below does not include the OWDA loans due to the projects not being complete as of December 31, 2006.

The annual requirements to amortize long-term loan and bond obligations outstanding as of December 31, 2006 are as follows:

<u>Year Ended</u>	<u>Sewer Improvement</u>			<u>OPWC Loan</u>
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>
2007	\$ 23,700	\$ 82,039	\$ 105,739	\$ 5,750
2008	24,700	80,973	105,673	11,500
2009	25,800	79,861	105,661	11,500
2010	27,100	78,700	105,800	11,500
2011	28,100	77,481	105,581	11,500
2012-2016	161,400	367,188	528,588	57,500
2017-2021	201,100	327,462	528,562	57,500
2022-2026	250,500	277,961	528,461	11,500
2027-2031	312,400	216,281	528,681	-
2032-2036	389,100	139,397	528,497	-
2037-2040	379,200	43,601	422,801	-
Total	<u>\$ 1,823,100</u>	<u>\$ 1,770,944</u>	<u>\$ 3,594,044</u>	<u>\$ 178,250</u>

On September 19, 2002, the Board of County Commissioners approved a resolution for the guaranty of the Gallia County Community Improvement Corporation's Rural Industrial Park Loan in the original amount of \$700,000 from the Ohio Department of Development. At December 31, 2006 the balance of the loan was \$550,000. This balance is not reported as an obligation in the accompanying basic financial statements.

At December 31, 2006, the County's overall legal debt margin was \$11,748,248 with an unvoted debt margin of \$6,079,381.

NOTE 10 – CONDUIT DEBT OBLIGATIONS

Pursuant to State statute, various industrial revenue bonds have been issued by private industry within Gallia County. The proceeds of the industrial revenue bonds are used by the various private industries for new construction or improvements. The bonds are to be repaid by the recipients of the proceeds and do not represent an obligation of the County. As of December 31, 2006, there were \$13,682,824 in industrial revenue bonds issued of which \$10,349,025 remains outstanding.

Gallia County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

NOTE 11 - 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 during 2005. Real property taxes are payable annually or semiannually. The first payment is due March 21, with the remainder payable by August 29.

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

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year proceeding 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, 2006. 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 2006 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, 2006, was \$7.00 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2006 property tax receipts were based are as follows:

Category	Assessed Value
Real estate:	
Agriculture	\$ 79,022,520
Residential	221,850,040
Commercial	108,090,260
Industrial	4,474,740
Minerals	453,130
Total real estate	413,890,690
Personal property:	
General	34,161,870
Public utilities	159,885,530
Total personal property	194,047,400
Total assessed values	\$ 607,938,090

Gallia County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

NOTE 12 - 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 additional one 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 2006, the General fund received \$3,099,354 and the 9-1-1 special revenue fund received \$774,589 in sales and use tax revenue. Sales and use tax revenue is recognized when it is measurable and available.

NOTE 13 - ACCOUNTABILITY AND COMPLIANCE

A. Accountability

The following funds had deficit fund balances as of December 31, 2006:

Nonmajor special revenue funds:	
Real Estate Assessment	\$ 1,976
Community Development Block Grant	1,814
Airport 2006 Grant	1,497
Traffic Enforcement Grant	1,429
Pros. Victim Assistance	1,386

The deficits in these funds are the result of the application of accounting principles generally accepted in the United States of America 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.

Gallia County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

NOTE 13 - ACCOUNTABILITY AND COMPLIANCE *(Continued)*

B. Compliance

The following fund had appropriations in excess of estimated resources plus available balances for the fiscal year ended December 31, 2006:

Fund Type/Fund	Original	Final
Major special revenue funds:		
Board of mental retardation	\$ 13,152	\$ -

NOTE 14 - 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 2006, the County contracted with County Risk Sharing Authority (CORSA), a jointly governed organization, for liability, property, and crime insurance. The CORSA program has a \$2,500 deductible.

Coverage provided by the program is as follows:

Property:

Buildings and contents	\$ 47,328,434
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.

Workers' compensation benefits are provided through the State Bureau of Workers' Compensation. The County pays all elected officials' bonds by statute. Life insurance is provided through Met Life and vision coverage is provided by Vision Service Plan.

The County also provides medical, prescription drug, and dental health insurance coverage for those employees who choose to participate through a plan with Medical Mutual.

The Plan is a high deductible plan which is self funded to a lower deductible amount to the employees. The premiums are paid by the employees and from each of the respective funds from which the employee is paid.

Gallia County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

NOTE 15 - 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 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan 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.

OPERS provide retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional and combined 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 financial report which may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6701 or (800)222-7377.

For the year ended December 31, 2006, the members of all three plans, except those in law enforcement participating in the traditional plan, were required to contribute 9 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. The County's contribution rate for pension benefits for 2006 was 13.7 percent, except those plan members in law enforcement or public safety. For those classifications, the County's pension contributions were 16.93 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The County's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2006, 2005, and 2004 were \$1,472,676, \$1,215,609, and \$877,869, respectively; 90.10 percent has been contributed for 2006 and 100 percent for 2005 and 2004. \$146,972, representing the unpaid contribution for 2006, is recorded as a liability within the respective funds.

B. State Teachers Retirement System

Certified teachers employed by the school for the Mentally Retarded/Developmentally Disabled participate in the State Teachers Retirement System of Ohio (STRS Ohio), a cost sharing, multiple employer public employee retirement system. 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 E. Broad Street, Columbus, Ohio 43215-3371, or by calling (614) 227-4090, or by visiting the STRS Ohio website at www.strsoh.org.

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

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

Gallia County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

NOTE 15 - DEFINED BENEFIT RETIREMENT PLANS *(continued)*

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

For the fiscal year ended December 31, 2006, 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 2005, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The County's required contributions for pension obligations to the DB plan for the fiscal years ended December 31, 2006, 2005 and 2004 were \$67,535, \$84,582, and \$75,662; 91.7 percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004. Of the 2006 amount, \$5,653 representing the unpaid contribution for 2006 is recorded as a liability within the respective funds.

NOTE 16 - 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 benefit recipients and qualified survivor benefit 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 2006 local government employer contribution rate was 13.7 percent of covered payroll (16.93 percent for public safety and law enforcement); 4.50 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the individual entry age actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2005, include a rate of return on investments of 6.50 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 costs were assumed to increase between .50 to 6.00 percent annually for the next nine years and 4.00 percent annually after nine years.

All investments are carried at market value. 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, not to exceed a 12 percent corridor.

Gallia County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

NOTE 16 - POSTEMPLOYMENT BENEFITS *(continued)*

The number of active contributing participants in the traditional and combined plans was 369,214. The number of active contributing participants for both plans used in the December 31, 2005, actuarial valuation was 358,804. Actual employer contributions for 2006 which were used to fund post employment benefits were \$434,734. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2005, (the latest information available) was \$11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$31.3 billion and \$20.2 billion, respectively.

On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. To improve the solvency of the health Care Fund, OPERS created a separate investment pool for health care assets. Member and employer contribution rates increased as of January 1, 2006, and January 1, 2007, which will allow additional funds to be allocated to the health care plan.

B. State Teachers Retirement System of Ohio

The County provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio). Benefits include hospitalization, physicians' fees, prescription drugs and partial 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 retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2006, the STRS Ohio Board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. For the County this amount equaled \$6,755 for the fiscal year 2006.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2005 (the latest information available) the balance in the Fund was \$3.3 billion. For the fiscal year ended June 30, 2005, net health care costs paid by STRS were \$254,780,000 and STRS had 115,395 eligible benefit recipients.

Gallia County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

NOTE 17 - ADDITIONAL DISCLOSURES FOR DISCRETELY PRESENTED COMPONENT UNITS

A. Measurement Focus and Basis of Accounting

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

B. Budgetary Basis of Accounting

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

C. Capital Assets

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

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

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

A summary of changes in capital assets during 2006 for Gallco Industries, Inc. were as follows:

	Beginning Balance*	Increases	Decreases	Ending Balance
Depreciable capital assets:				
Furniture, fixtures and equipment	\$ 60,763	\$ 23,703	\$ -	\$ 84,466
Accumulated depreciation:				
Furniture, fixtures and equipment	(42,401)	(8,446)	-	(50,847)
Capital assets, net	\$ 18,362	\$ 15,257	\$ -	\$ 33,619

* Restated, See Note 1.

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

Gallia County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

NOTE 17 - ADDITIONAL DISCLOSURES FOR DISCRETELY PRESENTED COMPONENT UNITS
(continued)

A summary of changes in capital assets during 2006 for Gallia-Meigs Regional Airport were as follows:

	Beginning			Ending
	<u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u>
Depreciable capital assets:				
Buildings and improvements	\$ 670,204		\$ -	\$ 670,204
Furniture, fixtures and equipment	<u>4,905</u>	<u>-</u>	<u>-</u>	<u>4,905</u>
Total depreciable capital assets	<u>675,109</u>	<u>-</u>	<u>-</u>	<u>675,109</u>
Accumulated depreciation:				
Buildings and improvements	(283,203)	(10,889)	-	(294,092)
Furniture, fixtures and equipment	<u>(4,905)</u>	<u>-</u>	<u>-</u>	<u>(4,905)</u>
Total accumulated depreciation	<u>(288,108)</u>	<u>(10,889)</u>	<u>-</u>	<u>(298,997)</u>
Capital assets, net	<u>\$ 387,001</u>	<u>\$ (10,889)</u>	<u>\$ -</u>	<u>\$ 376,112</u>

NOTE 18 - 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 Board of Alcohol, Drug Addiction and Mental Health Services (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.

Gallia County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS *(continued)*

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 2006, the County made no contributions to the Board.

C. Gallia-Jackson-Meigs Counties Cluster

Gallia, Jackson and Meigs Counties Cluster provide services to multi-need youth in Gallia, Jackson and Meigs counties. Members of the Cluster include Gallia, Jackson and Meigs Counties Board of Alcohol Drug Addiction and Mental Health Services, 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 Street 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.

D. Area Agency on Aging District 7, Inc.

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 they must be representatives of local community service organizations. At least one-half of the board must be over the age of fifty-five. The board has total control over budgeting, personnel and all other financial matters. The continued existence of the Council is not dependent on the County's continued participation and no equity interest exists. The Council has no outstanding debt.

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

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

F. Southeastern Ohio Corrections Commission

The Southeastern Ohio Corrections Commission was formed for the purpose of planning to build a community jail through State funding. The Commission consists of Gallia, Jackson, and Meigs counties. The State funding 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 2006, and the Commission is not dependent on the County's continued participation.

Gallia County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS *(continued)*

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.

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 Board of Alcohol Drug Addiction and Mental Health Services 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 Board of Alcohol Drug Addiction and Mental Health Services, 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.

J. Southern Ohio Council of Governments

The County is a member of the Southern Ohio Council of Governments (the "Council"), which is a jointly governed organization created under Ohio Revised Code Section 167.01. The governing body consists of a thirteen member board with each participating County represented by its Director of its Board of Mental Retardation and Developmental Disabilities (MRDD). Member counties include: Adams, Athens, Brown, Fayette, Gallia, Highland, Jackson, Lawrence, Pickaway, Pike, Ross, Scioto, and Vinton Counties. The Council acts as fiscal agent for the Gallia County MRDD's supportive living program monies. During 2006, the Council received \$56,218 from Gallia County and as of December 31, 2006, the County had a \$75,291 balance on hand with the Council. These monies are not recorded on the financial statements of the County. Financial statements can be obtained from the Council at 43 N. Paint St., Chillicothe, Ohio 45601.

Gallia County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

NOTE 19 - 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 \$11,545 in 2006. 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.

C. Gallia Metropolitan Housing Authority

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

NOTE 20 - SHARED RISK POOL

County Risk Sharing Authority (CORSA)

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

Each member county has one vote on all matters requiring a vote, to be cast by a designated representative. The affairs of CORSA are managed by an elected board of not more than nine trustees. Only county commissioners of member counties are eligible to serve on the board. No county may have more than one representative on the board at any time. Each member county's control over the budgeting and financing of CORSA is limited to its voting authority and any representation it may have on the board of trustees. CORSA has issued certificates of participation in order to provide adequate cash reserves. The certificates are secured by the member counties' obligations to make coverage payments to CORSA. The participating counties have no responsibility for the payment of the certificates. CORSA is not dependent upon Gallia County for its continued existence, nor does the County have an equity interest in CORSA. The County's payment for insurance to CORSA in 2006 was \$152,979.

Gallia County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

NOTE 20 - SHARED RISK POOL *(continued)*

County Commissioners Association of Ohio Workers' Compensation Group Rating Plan

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

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

NOTE 21 - RELATED PARTY TRANSACTION

During 2006, Gallia County provided facilities, certain equipment, transportation and salaries for administration, implementation and supervision of its programs to Gallco Industries, Inc., a discretely presented component unit of Gallia County. Rehabilitative services provided directly to clients of Gallco Industries by the County amounted to \$77,533.

NOTE 22 - GALLIA COUNTY LANDFILL

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

NOTE 23 - DECLINING MORTGAGE LOANS

Gallia County administers a loan program with funds provided by the U.S. Department of Housing and Urban Development, through the Ohio Department of Development, Office of Housing and Community Partnerships. The purpose of this program is to provide loans to low and moderate income families for home improvements. Loans are provided as declining mortgage loans with the intent that they do not have to repay 85% of the loan (85% of the loan released at the end of either a 5 or 10 year period), unless they would sell the residence before the 5 or 10 year period ended. The remaining 15% would remain as a mortgage to the property until such time as the owner either pays it off or sells the property. As of December 31, 2006 the total amount of loans outstanding was \$71,083. Due to the nature of these loans, they do not constitute a receivable or pledge and the loans accordingly have not been reported in the accompanying basic financial statements.

Gallia County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

NOTE 24 - CONTINGENT LIABILITIES

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

NOTE 25 – CONTRACT COMMITMENTS

The Gallia County Commissioners had the following contracts outstanding as of December 31, 2006:

Contractor	Contract Amount	Amount Paid at 12/31/06	Balance 12/31/06
Portco, Inc. – General Trades	\$1,813,852	\$184,761	\$1,629,091
AJ Stockmeister - HVAC	315,345	0	315,345
Central Fire – Fire Protection	48,370	0	48,370
Portco, Inc. - Plumbing	164,365	0	164,365
West End Electric – Electric	422,000	0	422,000
Jess Howard Electric	322,576	263,270	59,306
Columbia Gas	737,576	250,000	487,576

NOTE 26 – CHANGE IN ACCOUNTING PRINCIPLES

For the fiscal year 2006, the County implemented GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries* and GASB Statement No. 47, *Accounting for Termination Benefits*. GASB Statement No. 42 establishes accounting and financial reporting standards for impairment of capital assets. GASB Statement No. 47 establishes accounting standards for termination benefits. The application of these new standards did not have a material effect on the financial statements, nor did their implementation require a restatement of prior year balances.

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GALLIA COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2006

FEDERAL GRANTOR <i>Pass-Through Grantor</i> Program Title	Federal CFDA Number	Pass-Through Entity Number	Expenditures
UNITED STATES DEPARTMENT OF AGRICULTURE			
<i>Passed through the Ohio Department of Education:</i>			
Food Donation	10.550	N/A	\$ 699
Nutrition Cluster:			
School Breakfast Program	10.553	05-PU-06	8,579
National School Lunch Program	10.555	LL-P4-06	13,583
Total Nutrition Cluster			<u>22,162</u>
Total United States Department of Agriculture			22,861
UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
<i>Passed through the Ohio Department of Development:</i>			
Community Development Block Grants - State's Program	14.228	BX-03-025-1 BF-05-025-1 BC-05-025-1 BH-05-025-1	31,029 167,188 138,985 26,438
Total Community Development Block Grants - State's Program			<u>363,640</u>
Home Investments Partnerships Program	14.239	BC-05-025-2	122,798
Total United States Department of Housing and Urban Development			486,438
UNITED STATES DEPARTMENT OF JUSTICE			
<i>Direct from Federal Government:</i>			
Bulletproof Vest Partnership Program	16.607	N/A	1,577
<i>Passed through the Ohio Department of Youth Services:</i>			
Delinquency Prevention Program	16.548	2006-JV-T50-5103	30,980
<i>Passed through the Governor's Office of Criminal Justice Services:</i>			
Edward Byrne Justice Assistance Grant Formula Program	16.738	2005-JG-LLE-5105	18,400
Total United States Department of Justice			50,957
UNITED STATES DEPARTMENT OF LABOR			
<i>Passed through the Lawrence County Department of Job and Family Services (Area 7):</i>			
Workforce Investment Act Cluster:			
WIA Adult	17.258	N/A	315,270
WIA Adult Administrative			1,140
WIA Adult Total			<u>316,410</u>
WIA Youth Activities	17.259	N/A	279,865
WIA Youth Administrative			1,012
WIA Youth Total			<u>280,877</u>
WIA Dislocated Worker	17.260	N/A	491,298
WIA Dislocated Worker Administration		N/A	1,776
WIA Dislocated Worker Total			<u>493,074</u>
Total Workforce Investment Act Cluster			<u>1,090,361</u>
Total United States Department of Labor			1,090,361
UNITED STATES DEPARTMENT OF TRANSPORTATION			
<i>Direct from Federal Government:</i>			
Airport Improvement Program	23.106	3-39-0101-0102 3-39-0101-0405 3-39-0101-0506	1,062 9,010 326,324
Total Airport Improvement Program			<u>336,396</u>
Total United States Department of Transportation			336,396

GALLIA COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)

FEDERAL GRANTOR <i>Pass-Through Grantor</i> Program Title	Federal CFDA Number	Pass-Through Entity Number	Expenditures
UNITED STATES DEPARTMENT OF EDUCATION			
<i>Passed through the Ohio Department of Education:</i>			
Special Education Cluster:			
Special Education - Grants to States	84.027	6B-SF-06 6B-SF-07	\$ 25,810 6,909 <u>32,719</u>
Total Special Education - Grants to States			32,719
Special Education - Preschool Grants	84.173	PG-S1-2006 PG-S1-2007	13,498 2,760 <u>16,258</u>
Total Special Education - Preschool Grants			16,258
Total Special Education Cluster			48,977
State Grants for Innovative Programs	84.298	C2-S1-06 C2-S1-07	195 22 <u>217</u>
Total State Grants for Innovative Programs			217
Total United States Department of Education			49,194
ELECTION ASSISTANCE COMMISSION			
<i>Pass through the Ohio Secretary of State:</i>			
Help America Vote Act - Training	39.011	05-SOS-HAVA-27	<u>3,000</u>
Total Election Assistance Commission			3,000
UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>Passed through Ohio Department of Mental Retardation and Developmental Disabilities:</i>			
Social Services Block Grant	93.667	N/A	26,277
Medical Assistance Program	93.778	N/A	176,296
Community Alternative Funding System			(125,868)
Targeted Case Management			118,140
Waiver Administration			<u>168,568</u>
Total Medical Assistance Program			168,568
Total United States Department of Health and Human Services			194,845
UNITED STATES DEPARTMENT OF HOMELAND SECURITY			
<i>Passed through the Ohio Emergency Management Agency:</i>			
Hazard Mitigation Grants	97.039	DR-1453-09P-OH	216
Homeland Security Cluster:			
Emergency Management Performance Grants	97.042	2005-EM-T5-001	19,727
State Homeland Security Programs	97.073	2005-GE-T5-001	<u>35,728</u>
Total Homeland Security Cluster			55,455
Citizens Corps	97.053	GC-T4-0025 GR-7066	8,534 1,800 <u>10,334</u>
Total Citizens Corps			10,334
Total United States Department of Homeland Security			<u>66,005</u>
Total Federal Awards Expenditures			<u>\$ 2,300,057</u>

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

GALLIA COUNTY

NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 2 – MATCHING REQUIREMENTS

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

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

The County has established a revolving loan program to provide low interest loans to businesses to create jobs for persons from low to moderate income households and to eligible persons and to rehabilitate homes. The Federal Department of Housing and Urban Development (HUD) grants money for these loans to the County, passed through the Ohio Department of Development (ODOD). The initial loan of this money is recorded as a disbursement on the accompanying Schedule of Federal Awards Expenditures (the Schedule). Loans repaid, including interest, are used to make additional loans. Such subsequent loans are subject to certain compliance requirements imposed by HUD, but are not included as disbursements on the Schedule. These loans are collateralized by mortgages on the property. At December 31, 2006, the gross amount of loans outstanding under this program was \$71,083.

NOTE 4 – FOOD DONATION

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

NOTE 5 – CHILD NUTRITION CLUSTER

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

NOTE 6 – SUBRECIPIENTS

The County passed-through certain Federal assistance received from the Ohio Department of Job and Family Services to other governments or not-for-profit agencies (subrecipients). As described in Note 1, the County records expenditures of Federal awards to subrecipients when paid in cash.

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

NOTE 7 – WORKFORCE INVESTMENT ACT

The 2005 Schedule of Federal Award Expenditures reported Workforce Investment Act (WIA) expenditures on the accrual basis. The 2006 Schedule of Federal Award Expenditures report WIA expenditures on the cash basis of accounting. As such, amounts reported as expenditures of WIA funds passed through the Workforce Investment Act Area 7 include \$129,344 disbursed during fiscal year 2006 which were reported on the prior report Federal Schedule as accrued as of December 31, 2005.

GALLIA COUNTY FINANCIAL CONDITION

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

NOTE 8 – MEDICAL ASSISTANCE PROGRAM

The Ohio Department of Jobs and Family Services conducted a final review of the Medical Assistance Program, CFDA #93.778, administered by the Ohio Department of Mental Retardation and Developmental Disabilities and passed through to the Gallia County Department of Mental Retardation and Developmental Disabilities (County Board). That review resulted in an adjudication order, Docket No. 06-OMHN-326, dated March 21, 2006, that determined the final settlement for Targeted Case Management services reimbursed to the County Board for the period January 1, 2001 through December 31, 2003. The final settlement resulted in an overpayment to the County Board for the period in the amount of \$153,936. In accordance with 2 CFR 225, Appendix A (OMB Circular A-87), this amount was netted against receipts of \$28,068 for the period January 1, 2006 through December 31, 2006. Accordingly, the resulting net deficit expenditure total reflected in the accompanying Schedule was \$125,868.



Mary Taylor, CPA

Auditor of State

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

Gallia County
18 Locust Street
Gallipolis, Ohio 45631

To the Board of County Commissioners:

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Gallia County, Ohio (the County), as of and for the year ended December 31, 2006, which collectively comprise the County's basic financial statements and have issued our report thereon dated September 10, 2007. 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 the Comptroller General of the United States' *Government Auditing Standards*. Other auditors audited the financial statements of Gallico Industries, Inc., as described in our opinion on the County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that those auditors separately reported.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the County's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the County's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the County's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the County's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

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We noted certain matters that we reported to the County's management in a separate letter dated September 10, 2007.

Compliance and Other Matters

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

We did note certain noncompliance or other matters that we reported to the County's management in a separate letter dated September 10, 2007.

We intend this report solely for the information and use of the Fiscal Report Review Committee, management, the Board of County Commissioners, federal awarding agencies and pass-through entities. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

September 10, 2007



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON 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 apply to each of its major federal programs for the year ended December 31, 2006. The Summary of Auditor's Results section of the accompanying Schedule of Findings identifies the County's major federal programs. The County's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. 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 reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended December 31, 2006

Internal Control Over Compliance

The County's management is responsible for establishing and maintaining effective internal control over compliance with the 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 directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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A control deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that the entity's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the County's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we noted matters involving the internal control over federal compliance not requiring inclusion in this report, that we reported to the County's management in a separate letter dated September 10, 2007.

We intend this report solely for the information and use of the Fiscal Report Review Committee, management, the Board of County Commissioners, federal awarding agencies and pass-through entities. It is not intended for anyone other than these specified parties.



Mary Taylor, CPA
Auditor of State

September 10, 2007

GALLIA COUNTY
SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2006

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?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Workforce Investment Act Cluster CFDA #'s 17.258, 17.259, 17.260 Community Development Block Grant – State's Program CFDA # 14.228
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

None.

3. FINDINGS FOR FEDERAL AWARDS

None.

GALLIA COUNTY

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
DECEMBER 31, 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2003-001	Ohio Rev. Code Section 5705.38 – finding for recovery in favor of the Gallia County General Fund regarding overpayment of Sheriff's Deputy	No.	No action taken.
2003-002	Ohio Rev. Code Section 5705.38 – Finding for recovery in favor of the Gallia County Department of Job and Family Services regarding check issued to non-WIA participant	No.	The Gallia County Department of Job and Family Services took the individual to small claims court (Case # CVI 050045). A judgment was obtained that includes the finding amount and garnishment.
2003-003	Ohio Rev. Code Section 5901.04 – Finding for Recovery in favor of the Gallia County General Fund regarding overpayment of authorized salaries for Veterans Service Board Members.	No.	The Gallia County Board of County Commissioners approved a settlement agreement and release which allows for the payment of the meetings for which the finding was issued. The agreement does not address amounts for which individuals were paid for in-term increases.
2004-001	Ohio Rev. Code Section 5705.39 – Appropriations exceeded estimated resources.	Yes	N/A
2004-004	Section 134(d)(4)(G) Workforce Investment Act – activities allowed or unallowed. Individual Training Accounts were not properly maintained.	Yes	N/A
2005-001	Ohio Rev. Code Section 5101.821 – Finding issued against a PRC recipient in favor of the County Public Assistance Fund	No.	No action taken.



Mary Taylor, CPA
Auditor of State

FINANCIAL CONDITION

GALLIA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 8, 2007**