



Dave Yost • Auditor of State



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

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GALLIA COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Village of the City of Gallipolis  
Gallia County  
333 Third Avenue  
P.O. Box 339  
Gallipolis, Ohio 45631

To the Village Commission:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of the City of Gallipolis, Gallia County, Ohio (the Village), as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

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

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of the City of Gallipolis, Gallia County, Ohio, as of December 31, 2012 and 2011, and the respective changes in cash financial position and the respective budgetary comparison for the General and Tax Incremental Financing Funds thereof for the years then ended in accordance with the accounting basis described in Note 2.

**Accounting Basis**

We draw attention to Note 2 of the financial statements, which describes the accounting basis, which differs from generally accepted accounting principles. We did not modify our opinion regarding this matter.

**Emphasis of Matter**

As discussed in Note 3 to the financial statements, during 2011, the Village adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. We did not modify our opinion regarding this matter. As discussed in Note 3 to the financial statements, during 2012, the Village adopted the provisions of Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and No. 65, *Items Previously Reported as Assets and Liabilities*. We did not modify our opinion regarding these matters.

**Other Matters**

*Supplemental and Other Information*

We audited to opine on the Village's financial statements that collectively comprise its basic financial statements. *Management's Discussion & Analysis* includes tables of net position, changes in net position, governmental activities and long-term debt. These tables provide additional analysis and are not a required part of the basic financial statements.

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

Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2013, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

**Dave Yost**  
Auditor of State

Columbus, Ohio

June 26, 2013

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**Village of the City of Gallipolis, Ohio**  
*Management's Discussion and Analysis*  
*For the Years Ended December 31, 2012 and 2011*  
*Unaudited*

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The discussion and analysis of the Village of the City of Gallipolis's (the Village) financial performance provides an overall review of the Village's financial activities for the years ended December 31, 2012 and 2011, within the limitations of the Village's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Village's financial performance.

## **FINANCIAL HIGHLIGHTS**

***Key financial highlights are as follows:***

- For 2012, total net position decreased \$2,540,678, with governmental activities decreasing \$2,138,688 and business-type activities decreasing \$401,990. For 2011, total net position increased \$1,832,127, with governmental activities increasing \$1,456,185 and business-type activities increasing \$375,942.
- For 2012, the Village had four governmental major funds: the General Fund, the Tax Increment Financing Fund, the New Municipal Building Fund and the Court Capital Improvement Fund. The fund balances of the General, Tax Increment Financing, New Municipal Building, and Court Capital Improvement Funds decreased \$40,752, \$78,533, \$1,632,145, and \$392,939, respectively.
- For 2011, the Village had the same four governmental major funds: the General Fund, the Tax Increment Financing Fund, the New Municipal Building Fund and the Court Capital Improvement Fund. The General Fund's balance decreased \$362,193, while the balances of the Tax Increment Financing, New Municipal Building, and Court Capital Improvement Funds increased \$95,618, \$1,657,656, and \$121,243, respectively.
- The Village has two business-type activities: the Water and Sewer Funds. For 2012, the Water Fund's net position decreased \$163,736 as well as the Sewer Fund by \$238,254. For 2011, the Water Fund's net position increased \$70,759 as well as the Sewer Fund by \$305,183.

## **USING THE BASIC FINANCIAL STATEMENTS**

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Village's cash basis of accounting.

### ***Report Components***

The statement of net position and the statement of activities provide information about the cash activities of the Village as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained in the financial records of the Village as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the basic financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

**Village of the City of Gallipolis, Ohio**  
*Management's Discussion and Analysis*  
*For the Years Ended December 31, 2012 and 2011*  
*Unaudited*

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***Basis of Accounting***

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Village has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Village's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

***Reporting the Village of the City of Gallipolis as a Whole***

*Statement of Net Position and Statement of Activities*

The statement of net assets and the statement of activities reflect how the Village did financially during 2012 and 2011, within the limitations of the cash basis of accounting. The statement of net position presents the cash balances of the governmental and business-type activities of the Village at year end. The statement of activities compares cash disbursements with program receipts for each governmental program and business-type activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or business-type activity draws from the Village's general receipts.

These statements report the Village's cash position and changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Village's financial health. Over time, increases or decreases in the Village's cash position is one indicator of whether the Village's financial health is improving or deteriorating. When evaluating the Village's financial condition, you should also consider other nonfinancial factors as well, such as the Village's property tax base, the condition of the Village's capital assets and infrastructure, the extent of the Village's debt obligations, the reliance on non-local financial resources for operations, and the need for continued growth in the major local revenue sources such as property and income taxes.

In the statement of net position and the statement of activities, we divide the Village into two types of activities:

- **Governmental Activities** – Most of the Village's basic services are reported here, including police, fire, streets, and parks. Charges for services, state and federal grants, and income and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.
- **Business-Type Activities** – Water and sewer services have charges based on the amounts of usage. The Village charges fees to recoup the cost of the entire operation of our water and sewer treatment plants, as well as all capital expenses associated with these facilities and equipment.

**Village of the City of Gallipolis, Ohio**  
*Management's Discussion and Analysis*  
*For the Years Ended December 31, 2012 and 2011*  
*Unaudited*

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***Reporting the Village of the City of Gallipolis's Most Significant Funds***

*Fund Financial Statements*

Fund financial statements provide detailed information about the Village's major funds – not the Village as a whole. The Village establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Village are split into two categories: governmental and proprietary.

- **Governmental Funds** - Most of the Village's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Village's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Village's programs. The Village's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Village's major governmental funds are the General Fund, the Tax Increment Financing Fund, the New Municipal Building Fund and the Court Capital Improvement Fund. The programs reported in the governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements. We describe this relationship in reconciliations, if necessary.
- **Proprietary Funds** - When the Village charges customers for the services it provides, these services are generally reported in proprietary funds. When the services are provided to the general public, the activity is reported as an enterprise fund. The Village has two enterprise funds, the Water and Sewer Funds. The Village also has an internal service fund for medical expense reimbursements.
- ***Fiduciary Funds*** Fiduciary funds are used to account for resources held for the benefit of parties outside the Village. They are not reflected on the government-wide financial statements because the resources from those funds are not available to support the Village's programs. The Village uses the accrual basis of accounting to report its fiduciary fund.

**THE VILLAGE OF THE CITY OF GALLIPOLIS AS A WHOLE**

Table 1 provides a summary of the Village's net position for 2012 compared to 2011 on a cash basis:

**Village of the City of Gallipolis, Ohio**  
*Management's Discussion and Analysis*  
For the Years Ended December 31, 2012 and 2011  
Unaudited

(Table 1)  
**Net Position**

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
<b>Assets</b>						
Cash and Cash Equivalents	\$2,098,767	\$4,250,157	\$923,204	\$1,331,196	\$3,021,971	\$5,581,353
Cash in Segregated Accounts	113,056	94,352	0	0	113,056	94,352
Internal Balances	(41,731)	(35,729)	41,731	35,729	0	0
<i>Total Assets</i>	<u>2,170,092</u>	<u>4,308,780</u>	<u>964,935</u>	<u>1,366,925</u>	<u>3,135,027</u>	<u>5,675,705</u>
<b>Net Position</b>						
Restricted for:						
Street	580,134	692,396	0	0	580,134	692,396
Police	34,347	90,431	0	0	34,347	90,431
Fire	103,786	118,174	0	0	103,786	118,174
Cemetery	130,044	29,132	0	0	130,044	29,132
Recreation	60,010	60,240	0	0	60,010	60,240
Court	564,589	969,870	0	0	564,589	969,870
Capital Improvements	272,529	1,904,674	0	0	272,529	1,904,674
Unclaimed Monies	8,015	8,322	0	0	8,015	8,322
Other Purposes	75,742	66,902	0	0	75,742	66,902
Perpetual Care - Nonexpendable	27,442	27,442	0	0	27,442	27,442
Unrestricted	313,454	341,197	964,935	1,366,925	1,278,389	1,708,122
<i>Total Net Position</i>	<u>\$2,170,092</u>	<u>\$4,308,780</u>	<u>\$964,935</u>	<u>\$1,366,925</u>	<u>\$3,135,027</u>	<u>\$5,675,705</u>

As mentioned previously, net position of governmental activities decreased \$2,138,688 and the business-type activities net position decreased \$401,990 during 2012. The primary reasons contributing to the decreases are as follows:

- Slow growth in local tax revenues. Property tax valuation within the Village increased from \$73,402,817 (in 2011) to \$74,564,617 (in 2012). Additionally, the economy has negatively impacted local wages, resulting in little change in income tax receipts compared to last year.
- \$2,330,373 was expended in the New Municipal Building Fund for construction costs for the new Justice Center and the new Administrative Office Building (\$1,870,356 in 2012 and \$460,017 in 2011). Construction will be completed in 2013.
- Debt Service from the Village's energy conservation project. The project, totaling \$6,000,000 Village-wide, has reduced the Village's energy consumption and included improvements to the Village's street lighting, pool and park facilities, and water and sewer systems. Final debt service payment is April 9, 2015.
- \$402,260 was transferred from the General Fund to the New Municipal Building Fund (\$342,260 in 2012 and \$60,000 in 2011). \$206,050 of these transactions was from the sale of the Davis Hall property to Gallia County, for which two payments were received (\$160,000 in 2012 and \$46,050 in 2011). The balance was from prior period adjustments for interest that the General Fund received from the Water Pollution Control Fund in 2012, which legislation authority dedicated to the expenses related to a new municipal building.

Table 2 reflects the changes in net position on a cash basis in 2012 and 2011 for governmental activities, business-type activities, and total primary government.

**Village of the City of Gallipolis, Ohio**  
**Management's Discussion and Analysis**  
**For the Years Ended December 31, 2012 and 2011**  
**Unaudited**

(Table 2)

**Changes in Net Position**

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
<b>Receipts</b>						
<b>Program Receipts:</b>						
Charges for Services	\$1,669,994	\$1,575,237	\$2,964,206	\$2,938,082	\$4,634,200	\$4,513,319
Operating Grants and Contributions	422,289	501,893	0	0	422,289	501,893
Capital Grants and Contributions	7,786	114,175	66,919	129,989	74,705	244,164
<i>Total Program Receipts</i>	<i>2,100,069</i>	<i>2,191,305</i>	<i>3,031,125</i>	<i>3,068,071</i>	<i>5,131,194</i>	<i>5,259,376</i>
<b>General Receipts:</b>						
Property Taxes	340,096	331,380	0	0	340,096	331,380
Income Taxes	1,680,028	1,595,135	0	0	1,680,028	1,595,135
Payments in Lieu of Taxes	98,854	130,734	0	0	98,854	130,734
Franchise Fees	60,713	60,937	0	0	60,713	60,937
Grants and Entitlements	329,201	312,192	0	0	329,201	312,192
Investment Earnings	74,431	82,155	0	0	74,431	82,155
Proceeds from Sale of Capital Assets	160,000	46,050	0	0	160,000	46,050
Proceeds from Sale of Bonds	0	2,342,000	0	0	0	2,342,000
Donations and Contributions	2,450	3,000	0	0	2,450	3,000
Loan Proceeds	0	0	0	27,865	0	27,865
Inception of Capital Lease	135,005	0	88,884	0	223,889	0
Miscellaneous	36,357	31,092	23,274	35,158	59,631	66,250
<i>Total General Receipts</i>	<i>2,917,135</i>	<i>4,934,675</i>	<i>112,158</i>	<i>63,023</i>	<i>3,029,293</i>	<i>4,997,698</i>
<b>Total Receipts</b>	<b>5,017,204</b>	<b>7,125,980</b>	<b>3,143,283</b>	<b>3,131,094</b>	<b>8,160,487</b>	<b>10,257,074</b>
<b>Disbursements:</b>						
General Government	1,244,824	1,254,529	0	0	1,244,824	1,254,529
General Government - Court	650,588	625,194	0	0	650,588	625,194
<b>Security of Persons and Property:</b>						
Police	1,137,848	1,077,266	0	0	1,137,848	1,077,266
Fire	205,289	286,599	0	0	205,289	286,599
Public Health Services	194,446	399,316	0	0	194,446	399,316
Community Environment	98,109	92,454	0	0	98,109	92,454
Transportation	533,671	390,441	0	0	533,671	390,441
Leisure Time Activities	248,994	273,308	0	0	248,994	273,308
Capital Outlay	2,683,796	957,293	0	0	2,683,796	957,293
<b>Debt Service:</b>						
Principal Retirement	277,315	244,603	0	0	277,315	244,603
Interest and Fiscal Charges	165,921	68,792	0	0	165,921	68,792
Water	0	0	1,861,720	1,556,998	1,861,720	1,556,998
Sewer	0	0	1,398,644	1,198,154	1,398,644	1,198,154
<i>Total Disbursements</i>	<i>7,440,801</i>	<i>5,669,795</i>	<i>3,260,364</i>	<i>2,755,152</i>	<i>10,701,165</i>	<i>8,424,947</i>
<i>Increase (Decrease) before Transfers and Advances</i>	<i>(2,423,597)</i>	<i>1,456,185</i>	<i>(117,081)</i>	<i>375,942</i>	<i>(2,540,678)</i>	<i>1,832,127</i>
<i>Transfers</i>	<i>(27,351)</i>	<i>0</i>	<i>27,351</i>	<i>0</i>	<i>0</i>	<i>0</i>
<i>Advances</i>	<i>312,260</i>	<i>0</i>	<i>(312,260)</i>	<i>0</i>	<i>0</i>	<i>0</i>
<b>Change in Net Position</b>	<b>(2,138,688)</b>	<b>1,456,185</b>	<b>(401,990)</b>	<b>375,942</b>	<b>(2,540,678)</b>	<b>1,832,127</b>
<i>Net Position Beginning of Year</i>	<i>4,308,780</i>	<i>2,852,595</i>	<i>1,366,925</i>	<i>990,983</i>	<i>5,675,705</i>	<i>3,843,578</i>
<i>Net Position End of Year</i>	<i>\$2,170,092</i>	<i>\$4,308,780</i>	<i>\$964,935</i>	<i>\$1,366,925</i>	<i>\$3,135,027</i>	<i>\$5,675,705</i>

**Village of the City of Gallipolis, Ohio**  
*Management's Discussion and Analysis*  
*For the Years Ended December 31, 2012 and 2011*  
*Unaudited*

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***Governmental Activities***

For 2012, program receipts represent \$2,100,069 or 41.9 percent of total receipts and are primarily composed of charges for services such as code enforcement, cemetery, and recreation fees, court fines, and police and fire contracts, and restricted intergovernmental receipts such as motor vehicle license and gas tax money.

General receipts represent \$2,917,135, or 58.1 percent of the Village's total receipts, and of this amount, \$2,118,978, or 72.6 percent are derived from local taxes. The Village's total general revenue receipts remained relatively stable, but cuts in state distributions for local government funding and property tax reimbursements had a negative impact.

The Village continues to work very hard to increase our income tax base by being proactive with new businesses and is continuing to strive to provide better service to the taxpayers at the lowest cost possible. The ability of the Village to continue to provide quality services without income tax increases rests on the Village Management's ability to keep costs in line.

General government and security of persons and property are the major activities of the Village, representing 34.8 percent of the governmental expenses in 2012, a slight decrease in percentage from the prior year. During 2012, expenses for these operations amounted to \$1,244,824, \$1,137,848, and \$205,289, respectively. These activities are, for the most part, funded by the municipal income tax. The Village attempts to supplement the income and activities of the police and fire departments through grant funding to enable the departments to widen the scope of their activities. The police and fire departments and their employees continue to work hand-in-hand with the Village to help reduce the costs to the taxpayer.

Transportation activities of the Village accounted for 7.2 percent of governmental expenses. This is a slight increase from 2011. This is due to an increase in operating costs from 2011 to 2012, after remaining relatively stable for several years.

Capital outlay activities of the Village accounted for 36.1 percent of governmental expenses in 2012. This is largely due to activities related to the construction of a new law enforcement (justice) center and administrative office building (municipal building).

Court operations, public health services, leisure time activities, community environment, and debt service account for the remaining 21.9 percent of governmental expenditures in 2012.

***Business-Type Activities***

The Village's water and sewer operations account for the expenses for the Village's business-type activities and are funded almost entirely from charges for services. During 2012, program expenses exceeded program receipts by \$229,239 for all business-type activities.

The Village's water and sewer departments continued to operate with low rates. The minimum water and sewer rates are \$15.23 and \$11.60, respectively, for the first 1,000 gallons. Water and sewer rates increase 3% annually per ordinance, with the most recent increase on April 1, 2012.

**Village of the City of Gallipolis, Ohio**  
*Management's Discussion and Analysis*  
For the Years Ended December 31, 2012 and 2011  
Unaudited

If you look at the Statement of Activities, you will see the first column lists the major services provided by the Village. The next column identifies the costs of providing these services. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Village that must be used to provide a specific service. The net Receipts (Disbursement) column compares the program receipts to the cost of the service. The “net cost” amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

	<b>Governmental Activities</b>			
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2012	2012	2011	2011
General Government	\$1,244,824	\$724,055	\$1,254,529	\$741,961
General Government - Court	650,588	(273,671)	625,194	(249,314)
Security of Persons and Property:				
Police	1,137,848	1,032,512	1,077,266	998,814
Fire	205,289	58,194	286,599	92,011
Public Health Services	194,446	164,367	399,316	366,173
Community Environment	98,109	72,931	92,454	74,883
Transportation	533,671	261,922	390,441	(6,119)
Leisure Time Activities	248,994	173,390	273,308	189,393
Capital Outlay	2,683,796	2,683,796	957,293	957,293
Debt Service:				
Principal Retirement	277,315	277,315	244,603	244,603
Interest and Fiscal Charges	165,921	165,921	68,792	68,792
<i>Total</i>	<u>\$7,440,801</u>	<u>\$5,340,732</u>	<u>\$5,669,795</u>	<u>\$3,478,490</u>

The dependence upon property and income tax receipts is apparent as nearly 72 percent of governmental activities are supported through these and other general receipts.

**THE VILLAGE’S FUNDS**

The Village’s governmental funds are accounted for using the cash basis of accounting. In 2012, governmental funds had total receipts of \$4,722,181 and disbursements of \$7,453,485. In 2011, governmental funds had total receipts of \$4,737,930 and disbursements of \$5,664,877.

The General Fund is the primary operating fund of the Village. At the end of 2012, the unassigned fund balance was \$218,440, while total fund balance was \$250,144. As a measure of the General Fund’s liquidity, it may be useful to compare both the unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 7.7 percent to total General Fund expenditures, while total fund balance represents 8.8 percent of that same amount. The Village’s General Fund balance decreased \$40,752 during 2012.

The fund balance of the Tax Increment Financing Fund decreased \$78,533 from 2011. This decrease is due to the reduction of payments in lieu of taxes and increase in program costs compared to 2011.

**Village of the City of Gallipolis, Ohio**  
*Management's Discussion and Analysis*  
*For the Years Ended December 31, 2012 and 2011*  
*Unaudited*

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The fund balance of the New Municipal Building Fund decreased \$1,632,145 from 2011. This decrease is due to an increase in construction expenses compared to 2011.

The fund balance of the Court Capital Improvement Fund decreased \$392,939 from 2011. This decrease is due to an increase in program expenses compared to 2011.

The net position of the Water Fund decreased \$163,736 in 2012 largely due to dedication of more personnel and supplies to water line maintenance. Debt service payments related to the Ameresco Energy Savings Project continued to have a negative impact, although this was partially mitigated by utility savings.

The net position of the Sewer Fund decreased \$238,254 in 2012 due to dedication of more personnel and supplies to sewer line maintenance. Debt service payments related to the Ameresco Energy Savings Project continued to have a negative impact, although this was partially mitigated by utility savings.

***General Fund Budgeting Highlights***

The Village's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During 2012, the Village amended the General Fund budget several times. Budget basis revenue was \$3,083,883, \$6,714 above final estimates of \$3,077,169. Final estimated revenues were increased \$299,024 from the original of \$2,778,145. Expenditures of \$2,855,556 were lower than final appropriations of \$3,059,250. Final appropriations were increased \$102,535 from originals. All recommendations for budget change came from the Village Manager and Village Auditor to the Commission for review and Ordinance enactment on the change. The allocation of appropriations within the departments and objects within a fund, with the exception of employee salaries, may be modified during the year, as requested by the department supervisors and approved by the Village Manager, by the Village Auditor without an ordinance of the Commission. With the General Fund supporting many of our major activities such as our police and fire departments, as well as most legislative and executive activities, the General Fund is monitored closely, looking for possible revenue shortfalls or overspending by individual departments.



**Village of the City of Gallipolis, Ohio**  
*Management's Discussion and Analysis*  
For the Years Ended December 31, 2012 and 2011  
Unaudited

**DEBT ADMINISTRATION**

The Village had the following debt outstanding at each year end:

(Table 4)  
**Outstanding Debt at December 31, 2012 and 2011**

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
<b>Bond Anticipation Notes:</b>						
2002 Fire Truck	\$47,634	\$93,074	\$0	\$0	\$47,634	\$93,074
2002 Pumper/Tanker Truck	89,113	106,155	0	0	89,113	106,155
<i>Total Bond Anticipation Notes</i>	<u>136,747</u>	<u>199,229</u>	<u>0</u>	<u>0</u>	<u>136,747</u>	<u>199,229</u>
<b>Loans:</b>						
2010 OPWC	0	0	113,462	117,514	113,462	117,514
2003 State Infrastructure Bank	332,228	349,914	0	0	332,228	349,914
2005 Ameresco	320,399	437,884	1,828,892	2,499,512	2,149,291	2,937,396
<i>Total Loans</i>	<u>652,627</u>	<u>787,798</u>	<u>1,942,354</u>	<u>2,617,026</u>	<u>2,594,981</u>	<u>3,404,824</u>
<b>General Obligation Bonds:</b>						
2002 General Obligation Fire Station	473,512	488,807	0	0	473,512	488,807
2011 Various Purpose	2,277,633	2,342,000	0	0	2,277,633	2,342,000
<i>Total General Obligation Bonds</i>	<u>2,751,145</u>	<u>2,830,807</u>	<u>0</u>	<u>0</u>	<u>2,751,145</u>	<u>2,830,807</u>
Capital Leases	212,556	62,840	127,502	40,319	340,058	103,159
<i>Totals</i>	<u>\$3,753,075</u>	<u>\$3,880,674</u>	<u>\$2,069,856</u>	<u>\$2,657,345</u>	<u>\$5,822,931</u>	<u>\$6,538,019</u>

For additional information on the Village's debt, see Note 14 to the basic financial statements.

**CURRENT ISSUES**

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

**CONTACTING THE VILLAGE AUDITOR'S DEPARTMENT**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Village's finances and to show the Village's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Annette Landers, Village Auditor, P. O. Box 339, Gallipolis, Ohio 45631.

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**Village of the City of Gallipolis, Ohio**

*Statement of Net Position - Cash Basis*

*December 31, 2012*

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$2,098,767	\$923,204	\$3,021,971
Cash in Segregated Accounts	113,056	0	113,056
Internal Balances	(41,731)	41,731	0
<i>Total Assets</i>	<u>\$2,170,092</u>	<u>\$964,935</u>	<u>\$3,135,027</u>
<b>Net Position</b>			
Restricted for:			
Street	\$580,134	\$0	\$580,134
Police	34,347	0	34,347
Fire	103,786	0	103,786
Cemetery	130,044	0	130,044
Recreation	60,010	0	60,010
Court	564,589	0	564,589
Capital Improvements	272,529	0	272,529
Unclaimed Monies	8,015	0	8,015
Other Purposes	75,742	0	75,742
Perpetual Care - Nonexpendable	27,442	0	27,442
Unrestricted	313,454	964,935	1,278,389
<i>Total Net Position</i>	<u>\$2,170,092</u>	<u>\$964,935</u>	<u>\$3,135,027</u>

See accompanying notes to the basic financial statements

**Village of the City of Gallipolis, Ohio**  
*Statement of Activities - Cash Basis*  
For the Year Ended December 31, 2012

	Disbursements	Program Receipts			Net (Disbursements) Receipts and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities</b>							
General Government	\$1,244,824	\$486,387	\$34,382	\$0	(\$724,055)	\$0	(\$724,055)
General Government - Court	650,588	815,357	108,902	0	273,671	0	273,671
Security of Persons and Property:							
Police	1,137,848	29,142	76,194	0	(1,032,512)	0	(1,032,512)
Fire	205,289	134,995	12,100	0	(58,194)	0	(58,194)
Public Health Services	194,446	30,079	0	0	(164,367)	0	(164,367)
Community Environment	98,109	16,410	8,768	0	(72,931)	0	(72,931)
Transportation	533,671	87,642	176,321	7,786	(261,922)	0	(261,922)
Leisure Time Activities	248,994	69,982	5,622	0	(173,390)	0	(173,390)
Capital Outlay	2,683,796	0	0	0	(2,683,796)	0	(2,683,796)
Debt Service:							
Principal Retirement	277,315	0	0	0	(277,315)	0	(277,315)
Interest and Fiscal Charges	165,921	0	0	0	(165,921)	0	(165,921)
<i>Total Governmental Activities</i>	<u>7,440,801</u>	<u>1,669,994</u>	<u>422,289</u>	<u>7,786</u>	<u>(5,340,732)</u>	<u>0</u>	<u>(5,340,732)</u>
<b>Business-Type Activities</b>							
Water	1,861,720	1,579,616	0	66,919	0	(215,185)	(215,185)
Sewer	1,398,644	1,384,590	0	0	0	(14,054)	(14,054)
<i>Total Business-Type Activities</i>	<u>3,260,364</u>	<u>2,964,206</u>	<u>0</u>	<u>66,919</u>	<u>0</u>	<u>(229,239)</u>	<u>(229,239)</u>
<i>Total</i>	<u>\$10,701,165</u>	<u>\$4,634,200</u>	<u>\$422,289</u>	<u>\$74,705</u>	<u>(5,340,732)</u>	<u>(229,239)</u>	<u>(5,569,971)</u>
<b>General Receipts</b>							
Property Taxes Levied for:							
General Purposes					222,943	0	222,943
Fire					117,153	0	117,153
Income Taxes Levied for General Purposes					1,680,028	0	1,680,028
Payments in Lieu of Taxes					98,854	0	98,854
Franchise Fees					60,713	0	60,713
Grants and Entitlements not Restricted to Specific Programs					329,201	0	329,201
Investment Earnings					74,431	0	74,431
Proceeds from Sale of Capital Assets					160,000	0	160,000
Inception of Capital Lease					135,005	88,884	223,889
Donations and Contributions					2,450	0	2,450
Miscellaneous					36,357	23,274	59,631
Transfers					(27,351)	27,351	0
Advances					312,260	(312,260)	0
<i>Total General Receipts, Transfers and Advances</i>					<u>3,202,044</u>	<u>(172,751)</u>	<u>3,029,293</u>
Change in Net Position					(2,138,688)	(401,990)	(2,540,678)
<i>Net Position Beginning of Year</i>					<u>4,308,780</u>	<u>1,366,925</u>	<u>5,675,705</u>
<i>Net Position End of Year</i>					<u>\$2,170,092</u>	<u>\$964,935</u>	<u>\$3,135,027</u>

See accompanying notes to the basic financial statements

**Village of the City of Gallipolis, Ohio**  
*Statement of Cash Basis Assets and Fund Balances*  
*Governmental Funds*  
*December 31, 2012*

	General	Tax Increment Financing	New Municipal Building	Court Capital Improvement	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Equity in Pooled Cash and Cash Equivalents	\$242,129	\$516,880	\$272,529	\$251,241	\$807,973	\$2,090,752
Restricted Assets:						
Equity in Pooled Cash and Cash Equivalents	8,015	0	0	0	0	8,015
<i>Total Assets</i>	<u>\$250,144</u>	<u>\$516,880</u>	<u>\$272,529</u>	<u>\$251,241</u>	<u>\$807,973</u>	<u>\$2,098,767</u>
<b>Fund Balances</b>						
Nonspendable	\$8,015	\$0	\$0	\$0	\$27,442	\$35,457
Restricted	0	516,880	272,529	251,241	701,244	1,741,894
Committed	0	0	0	0	79,287	79,287
Assigned	23,689	0	0	0	0	23,689
Unassigned	218,440	0	0	0	0	218,440
<i>Total Fund Balances</i>	<u>\$250,144</u>	<u>\$516,880</u>	<u>\$272,529</u>	<u>\$251,241</u>	<u>\$807,973</u>	2,098,767

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

An internal service fund is used by management to charge the costs of insurance to individual funds. The assets of the internal fund are included in governmental activities in the statement of net position.

71,325

*Net Position of Governmental Activities*

\$2,170,092

See accompanying notes to the basic financial statements

**Village of the City of Gallipolis, Ohio**  
*Statement of Cash Receipts, Disbursements, and Changes in Fund Balances*  
*Governmental Funds*  
*For the Year Ended December 31, 2012*

	General	Tax Increment Financing	New Municipal Building	Court Capital Improvement	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>						
Property and Other Local Taxes	\$222,943	\$0	\$0	\$0	\$117,153	\$340,096
Municipal Income Taxes	1,680,028	0	0	0	0	1,680,028
Permissive Motor Vehicle License Taxes	0	0	0	0	63,478	63,478
Payment in Lieu of Taxes	0	98,854	0	0	0	98,854
Charges for Services	366,916	0	0	0	394,522	761,438
Fines, Licenses, and Permits	437,235	0	0	207,526	199,738	844,499
Franchise Fees	60,713	0	0	0	0	60,713
Intergovernmental	217,518	0	0	0	534,958	752,476
Investment Earnings	74,413	0	0	0	1,127	75,540
Donations	2,450	0	0	0	6,252	8,702
Miscellaneous	21,667	0	1,275	5,207	8,208	36,357
<i>Total Receipts</i>	<u>3,083,883</u>	<u>98,854</u>	<u>1,275</u>	<u>212,733</u>	<u>1,325,436</u>	<u>4,722,181</u>
<b>Disbursements</b>						
Current:						
General Government	937,784	0	0	0	310,722	1,248,506
General Government - Court	347,005	0	0	0	306,697	653,702
Security of Persons and Property:						
Police	1,058,629	0	0	0	83,069	1,141,698
Fire	184,622	0	0	0	20,950	205,572
Public Health Services	40,946	0	0	0	153,783	194,729
Community Environment	79,222	0	0	0	19,453	98,675
Transportation	58,342	148,471	0	0	327,594	534,407
Leisure Time Activities	115,664	0	0	0	133,500	249,164
Capital Outlay	9,653	0	1,975,680	555,672	142,791	2,683,796
Debt Service:						
Principal Retirement	0	0	0	0	277,315	277,315
Interest and Fiscal Charges	0	0	0	0	165,921	165,921
<i>Total Disbursements</i>	<u>2,831,867</u>	<u>148,471</u>	<u>1,975,680</u>	<u>555,672</u>	<u>1,941,795</u>	<u>7,453,485</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>252,016</u>	<u>(49,617)</u>	<u>(1,974,405)</u>	<u>(342,939)</u>	<u>(616,359)</u>	<u>(2,731,304)</u>
<b>Other Financing Sources (Uses)</b>						
Proceeds from Sale of Capital Assets	160,000	0	0	0	0	160,000
Inception of Capital Lease	0	0	0	0	135,005	135,005
Advances In	448,661	0	0	0	103,284	551,945
Advances Out	(88,284)	0	0	0	(151,401)	(239,685)
Transfers In	852	0	342,260	0	771,572	1,114,684
Transfers Out	(813,997)	(28,916)	0	(50,000)	(249,122)	(1,142,035)
<i>Total Other Financing Sources (Uses)</i>	<u>(292,768)</u>	<u>(28,916)</u>	<u>342,260</u>	<u>(50,000)</u>	<u>609,338</u>	<u>579,914</u>
<i>Net Change in Fund Balances</i>	<u>(40,752)</u>	<u>(78,533)</u>	<u>(1,632,145)</u>	<u>(392,939)</u>	<u>(7,021)</u>	<u>(2,151,390)</u>
<i>Fund Balances Beginning of Year</i>	<u>290,896</u>	<u>595,413</u>	<u>1,904,674</u>	<u>644,180</u>	<u>814,994</u>	<u>4,250,157</u>
<i>Fund Balances End of Year</i>	<u>\$250,144</u>	<u>\$516,880</u>	<u>\$272,529</u>	<u>\$251,241</u>	<u>\$807,973</u>	<u>\$2,098,767</u>

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

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 receipts are eliminated. The net receipts (disbursements) of the internal service fund is allocated among the governmental activities.

12,702

*Change in Net Position of Governmental Activities*

(\$2,138,688)

See accompanying notes to the basic financial statements

**Village of the City of Gallipolis, Ohio**  
*Statement of Receipts, Disbursements, and Changes  
in Fund Balance - Budget and Actual (Budget Basis)  
General Fund  
For the Year Ended December 31, 2012*

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		(Under)
<b>Receipts</b>				
Property and Other Taxes	\$220,903	\$222,943	\$222,943	\$0
Municipal Income Taxes	1,550,000	1,673,000	1,680,028	7,028
Charges for Services	328,842	366,207	366,916	709
Fines, Licenses, and Permits	386,000	437,201	437,235	34
Franchise Fees	59,000	60,713	60,713	0
Intergovernmental	140,400	217,518	217,518	0
Investment Earnings	80,000	74,413	74,413	0
Donations	2,000	2,450	2,450	0
Miscellaneous	11,000	22,724	21,667	(1,057)
<i>Total Receipts</i>	<u>2,778,145</u>	<u>3,077,169</u>	<u>3,083,883</u>	<u>6,714</u>
<b>Disbursements</b>				
Current:				
General Government	940,408	991,867	938,784	53,083
General Government - Court	403,846	403,846	347,005	56,841
Security of Persons and Property:				
Police	1,072,852	1,097,520	1,067,790	29,730
Fire	209,141	226,320	198,150	28,170
Public Health Services	41,000	41,050	40,946	104
Community Environment	81,013	82,013	79,222	2,791
Transportation	58,000	67,000	58,342	8,658
Leisure Time Activities	146,455	139,981	115,664	24,317
Capital Outlay	4,000	9,653	9,653	0
<i>Total Disbursements</i>	<u>2,956,715</u>	<u>3,059,250</u>	<u>2,855,556</u>	<u>203,694</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(178,570)</u>	<u>17,919</u>	<u>228,327</u>	<u>210,408</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds from Sale of Capital Assets	160,000	160,000	160,000	0
Advances In	427,731	669,991	448,661	(221,330)
Advances Out	(10,583)	(88,284)	(88,284)	0
Transfers In	674	852	852	0
Transfers Out	(578,451)	(895,065)	(813,997)	81,068
<i>Total Other Financing Sources (Uses)</i>	<u>(629)</u>	<u>(152,506)</u>	<u>(292,768)</u>	<u>(140,262)</u>
<i>Net Change in Fund Balance</i>	(179,199)	(134,587)	(64,441)	70,146
<i>Fund Balance Beginning of Year</i>	252,418	252,418	252,418	0
Prior Year Encumbrances Appropriated	38,478	38,478	38,478	0
<i>Fund Balance End of Year</i>	<u>\$111,697</u>	<u>\$156,309</u>	<u>\$226,455</u>	<u>\$70,146</u>

See accompanying notes to the basic financial statements

**Village of the City of Gallipolis, Ohio**  
*Statement of Receipts, Disbursements, and Changes  
in Fund Balance - Budget and Actual (Budget Basis)*  
*Tax Increment Financing Fund*  
For the Year Ended December 31, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<b>Receipts</b>				
Payments in Lieu of Taxes	\$60,000	\$98,854	\$98,854	\$0
<b>Disbursements</b>				
Current:				
Transportation	6,500	150,264	148,471	1,793
<i>Excess of Receipts Over (Under) Disbursements</i>	53,500	(51,410)	(49,617)	1,793
<b>Other Financing Uses</b>				
Transfers Out	(28,916)	(28,916)	(28,916)	0
<i>Net Change in Fund Balance</i>	24,584	(80,326)	(78,533)	1,793
<i>Fund Balance Beginning of Year</i>	595,413	595,413	595,413	0
<i>Fund Balance End of Year</i>	<u>\$619,997</u>	<u>\$515,087</u>	<u>\$516,880</u>	<u>\$1,793</u>

See accompanying notes to the basic financial statements



**Village of the City of Gallipolis, Ohio**  
*Statement of Fund Net Position - Cash Basis*  
*Proprietary Funds*  
*December 31, 2012*

	Business-Type Activities			Governmental Activities
	Water Fund	Sewer Fund	Total Enterprise Funds	Internal Service Fund
<b>Assets</b>				
Current Assets:				
Equity in Pooled Cash and Cash Equivalents	\$470,492	\$452,712	\$923,204	\$0
Cash in Segregated Accounts	0	0	0	113,056
Internal Balance	22,528	19,203	41,731	0
<i>Total Assets</i>	\$493,020	\$471,915	\$964,935	\$113,056
<b>Net Position</b>				
Unrestricted	\$493,020	\$471,915	\$964,935	\$113,056

See accompanying notes to the basic financial statements

**Village of the City of Gallipolis, Ohio**  
*Statement of Receipts, Disbursements,  
and Changes in Fund Net Position - Cash Basis*  
*Proprietary Funds*  
For the Year Ended December 31, 2012

	Business-Type Activities			Governmental Activities
	Water	Sewer	Total	Internal
	Fund	Fund	Enterprise Funds	Service Fund
<b>Operating Receipts</b>				
Charges for Services	\$1,573,612	\$1,384,590	\$2,958,202	\$76,394
Other Operating Receipts	989	22,285	23,274	0
<i>Total Operating Receipts</i>	<u>1,574,601</u>	<u>1,406,875</u>	<u>2,981,476</u>	<u>76,394</u>
<b>Operating Disbursements</b>				
Salaries and Benefits	624,852	459,382	1,084,234	0
Contractual Services	312,941	307,882	620,823	57,690
Materials and Supplies	153,198	93,381	246,579	0
Capital Outlay	332,399	208,413	540,812	0
<i>Total Operating Disbursements</i>	<u>1,423,390</u>	<u>1,069,058</u>	<u>2,492,448</u>	<u>57,690</u>
<i>Operating Income</i>	<u>151,211</u>	<u>337,817</u>	<u>489,028</u>	<u>18,704</u>
<b>Non-Operating Receipts (Disbursements)</b>				
Inception of Capital Lease	44,442	44,442	88,884	0
Capital Grants	66,919	0	66,919	0
Customer Deposits Received	6,004	0	6,004	0
Customer Deposits Returned	(5,690)	0	(5,690)	0
Debt Service Principal	(382,846)	(291,826)	(674,672)	0
Interest and Fiscal Charges	(49,794)	(37,760)	(87,554)	0
<i>Total Non Operating Receipts (Disbursements)</i>	<u>(320,965)</u>	<u>(285,144)</u>	<u>(606,109)</u>	<u>0</u>
<i>Income (Loss) Before Advances and Transfers</i>	<u>(169,754)</u>	<u>52,673</u>	<u>(117,081)</u>	<u>18,704</u>
Transfers In	6,018	21,333	27,351	0
Advances Out	0	(312,260)	(312,260)	0
<i>Change in Net Position</i>	<u>(163,736)</u>	<u>(238,254)</u>	<u>(401,990)</u>	<u>18,704</u>
<i>Net Position Beginning of Year</i>	<u>656,756</u>	<u>710,169</u>	<u>1,366,925</u>	<u>94,352</u>
<i>Net Position End of Year</i>	<u>\$493,020</u>	<u>\$471,915</u>	<u>\$964,935</u>	<u>\$113,056</u>

See accompanying notes to the basic financial statements

**Village of the City of Gallipolis, Ohio**  
*Statement of Fiduciary Net Position - Cash Basis*  
*Municipal Court Agency Fund*  
*December 31, 2012*

<b>Assets</b>	
Cash and Cash Equivalents in Segregated Accounts	<u><u>\$311,517</u></u>
<b>Net Position</b>	
Restricted for Others	<u><u>\$311,517</u></u>

See accompanying notes to the basic financial statements

**Village of the City of Gallipolis, Ohio**

*Statement of Net Position - Cash Basis*

*December 31, 2011*

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$4,250,157	\$1,331,196	\$5,581,353
Cash in Segregated Accounts	94,352	0	94,352
Internal Balances	(35,729)	35,729	0
<i>Total Assets</i>	<u>\$4,308,780</u>	<u>\$1,366,925</u>	<u>\$5,675,705</u>
<b>Net Position</b>			
Restricted for:			
Street	\$692,396	\$0	\$692,396
Police	90,431	0	90,431
Fire	118,174	0	118,174
Cemetery	29,132	0	29,132
Recreation	60,240	0	60,240
Court	969,870	0	969,870
Capital Improvements	1,904,674	0	1,904,674
Unclaimed Monies	8,322	0	8,322
Other Purposes	66,902	0	66,902
Perpetual Care - Nonexpendable	27,442	0	27,442
Unrestricted	341,197	1,366,925	1,708,122
<i>Total Net Position</i>	<u>\$4,308,780</u>	<u>\$1,366,925</u>	<u>\$5,675,705</u>

See accompanying notes to the basic financial statements

**Village of the City of Gallipolis, Ohio**  
*Statement of Activities - Cash Basis*  
For the Year Ended December 31, 2011

	Disbursements	Program Receipts			Net (Disbursements) Receipts and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities</b>							
General Government	\$1,254,529	\$475,382	\$37,186	\$0	(\$741,961)	\$0	(\$741,961)
General Government - Court	625,194	751,497	123,011	0	249,314	0	249,314
Security of Persons and Property:							
Police	1,077,266	20,064	58,388	0	(998,814)	0	(998,814)
Fire	286,599	121,688	72,900	0	(92,011)	0	(92,011)
Public Health Services	399,316	33,143	0	0	(366,173)	0	(366,173)
Community Environment	92,454	7,258	10,313	0	(74,883)	0	(74,883)
Transportation	390,441	84,249	198,136	114,175	6,119	0	6,119
Leisure Time Activities	273,308	81,956	1,959	0	(189,393)	0	(189,393)
Capital Outlay	957,293	0	0	0	(957,293)	0	(957,293)
Debt Service:							
Principal Retirement	244,603	0	0	0	(244,603)	0	(244,603)
Interest and Fiscal Charges	68,792	0	0	0	(68,792)	0	(68,792)
<i>Total Governmental Activities</i>	<u>5,669,795</u>	<u>1,575,237</u>	<u>501,893</u>	<u>114,175</u>	<u>(3,478,490)</u>	<u>0</u>	<u>(3,478,490)</u>
<b>Business-Type Activities</b>							
Water	1,556,998	1,562,002	0	46,450	0	51,454	51,454
Sewer	1,198,154	1,376,080	0	83,539	0	261,465	261,465
<i>Total Business-Type Activities</i>	<u>2,755,152</u>	<u>2,938,082</u>	<u>0</u>	<u>129,989</u>	<u>0</u>	<u>312,919</u>	<u>312,919</u>
<i>Total</i>	<u>\$8,424,947</u>	<u>\$4,513,319</u>	<u>\$501,893</u>	<u>\$244,164</u>	<u>(3,478,490)</u>	<u>312,919</u>	<u>(3,165,571)</u>
<b>General Receipts</b>							
Property Taxes Levied for:							
General Purposes					213,742	0	213,742
Fire					117,638	0	117,638
Income Taxes Levied for General Purposes					1,595,135	0	1,595,135
Payments in Lieu of Taxes					130,734	0	130,734
Franchise Fees					60,937	0	60,937
Grants and Entitlements not Restricted to Specific Programs					312,192	0	312,192
Investment Earnings					82,155	0	82,155
Proceeds from Sale of Capital Assets					46,050	0	46,050
Proceeds from Sale of Bonds					2,342,000	0	2,342,000
Donations and Contributions					3,000	0	3,000
Loan Proceeds					0	27,865	27,865
Miscellaneous					31,092	35,158	66,250
<i>Total General Receipts</i>					<u>4,934,675</u>	<u>63,023</u>	<u>4,997,698</u>
Change in Net Position					1,456,185	375,942	1,832,127
<i>Net Position Beginning of Year</i>					<u>2,852,595</u>	<u>990,983</u>	<u>3,843,578</u>
<i>Net Position End of Year</i>					<u>\$4,308,780</u>	<u>\$1,366,925</u>	<u>\$5,675,705</u>

See accompanying notes to the basic financial statements

**Village of the City of Gallipolis, Ohio**  
*Statement of Cash Basis Assets and Fund Balances*  
*Governmental Funds*  
*December 31, 2011*

	General	Tax Increment Financing	New Municipal Building	Court Capital Improvement	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Equity in Pooled Cash and Cash Equivalents	\$282,574	\$595,413	\$1,904,674	\$644,180	\$814,994	\$4,241,835
Restricted Assets:						
Equity in Pooled Cash and Cash Equivalents	8,322	0	0	0	0	8,322
<i>Total Assets</i>	<u>\$290,896</u>	<u>\$595,413</u>	<u>\$1,904,674</u>	<u>\$644,180</u>	<u>\$814,994</u>	<u>\$4,250,157</u>
<b>Fund Balances</b>						
Nonspendable	\$8,322	\$0	\$0	\$0	\$27,442	\$35,764
Restricted	0	595,413	1,904,674	644,180	716,202	3,860,469
Committed	16,000	0	0	0	71,350	87,350
Assigned	22,478	0	0	0	0	22,478
Unassigned	244,096	0	0	0	0	244,096
<i>Total Fund Balances</i>	<u>\$290,896</u>	<u>\$595,413</u>	<u>\$1,904,674</u>	<u>\$644,180</u>	<u>\$814,994</u>	<u>4,250,157</u>

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

An internal service fund is used by management to charge the costs of insurance to individual funds. The assets of the internal fund are included in governmental activities in the statement of net position.

58,623

*Net Position of Governmental Activities*

\$4,308,780

See accompanying notes to the basic financial statements

**Village of the City of Gallipolis, Ohio**  
*Statement of Cash Receipts, Disbursements, and Changes in Fund Balances*  
*Governmental Funds*  
*For the Year Ended December 31, 2011*

	General	Tax Increment Financing	New Municipal Building	Court Capital Improvement	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>						
Property and Other Local Taxes	\$213,742	\$0	\$0	\$0	\$117,638	\$331,380
Municipal Income Taxes	1,595,135	0	0	0	0	1,595,135
Permissive Motor Vehicle License Taxes	0	0	0	0	60,736	60,736
Payment in Lieu of Taxes	0	130,734	0	0	0	130,734
Charges for Services	343,193	0	0	0	399,184	742,377
Fines, Licenses, and Permits	396,277	0	0	170,758	204,526	771,561
Franchise Fees	60,937	0	0	0	0	60,937
Intergovernmental	312,192	0	0	0	609,225	921,417
Investment Earnings	82,155	0	0	0	1,006	83,161
Donations	3,000	0	0	0	6,400	9,400
Miscellaneous	16,046	0	3,000	0	12,046	31,092
<i>Total Receipts</i>	<u>3,022,677</u>	<u>130,734</u>	<u>3,000</u>	<u>170,758</u>	<u>1,410,761</u>	<u>4,737,930</u>
<b>Disbursements</b>						
Current:						
General Government	948,951	0	0	0	304,139	1,253,090
General Government - Court	330,045	0	0	0	294,069	624,114
Security of Persons and Property:						
Police	1,024,502	0	0	0	51,133	1,075,635
Fire	219,238	0	0	0	67,241	286,479
Public Health Services	12,602	0	0	0	386,594	399,196
Community Environment	89,881	0	0	0	2,333	92,214
Transportation	57,883	6,200	0	0	326,130	390,213
Leisure Time Activities	111,195	0	0	0	162,053	273,248
Capital Outlay	16,583	0	685,344	38,604	216,762	957,293
Debt Service:						
Principal Retirement	0	0	0	10,911	233,692	244,603
Interest and Fiscal Charges	0	0	0	0	68,792	68,792
<i>Total Disbursements</i>	<u>2,810,880</u>	<u>6,200</u>	<u>685,344</u>	<u>49,515</u>	<u>2,112,938</u>	<u>5,664,877</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>211,797</u>	<u>124,534</u>	<u>(682,344)</u>	<u>121,243</u>	<u>(702,177)</u>	<u>(926,947)</u>
<b>Other Financing Sources (Uses)</b>						
Proceeds from Sale of Capital Assets	46,050	0	0	0	0	46,050
Proceeds from Sale of Bonds	62,000	0	2,280,000	0	0	2,342,000
Advances In	212,006	0	80,000	0	235,829	527,835
Advances Out	(315,829)	0	(80,000)	0	(132,006)	(527,835)
Transfers In	0	0	60,000	0	769,277	829,277
Transfers Out	(578,217)	(28,916)	0	0	(222,144)	(829,277)
<i>Total Other Financing Sources (Uses)</i>	<u>(573,990)</u>	<u>(28,916)</u>	<u>2,340,000</u>	<u>0</u>	<u>650,956</u>	<u>2,388,050</u>
<i>Net Change in Fund Balances</i>	(362,193)	95,618	1,657,656	121,243	(51,221)	1,461,103
<i>Fund Balances Beginning of Year</i>	653,089	499,795	247,018	522,937	866,215	2,789,054
<i>Fund Balances End of Year</i>	<u>\$290,896</u>	<u>\$595,413</u>	<u>\$1,904,674</u>	<u>\$644,180</u>	<u>\$814,994</u>	<u>\$4,250,157</u>

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

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 receipts are eliminated. The net receipts (disbursements) of the internal service fund is allocated among the governmental activities. (4,918)

*Change in Net Position of Governmental Activities* \$1,456,185

See accompanying notes to the basic financial statements

**Village of the City of Gallipolis, Ohio**  
*Statement of Receipts, Disbursements, and Changes  
in Fund Balance - Budget and Actual (Budget Basis)  
General Fund  
For the Year Ended December 31, 2011*

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<b>Receipts</b>				
Property and Other Taxes	\$185,303	\$195,745	\$213,742	\$17,997
Municipal Income Taxes	1,382,893	1,460,825	1,595,135	134,310
Charges for Services	297,529	314,296	343,193	28,897
Fines, Licenses, and Permits	343,550	362,911	396,277	33,366
Franchise Fees	52,829	55,806	60,937	5,131
Intergovernmental	270,653	285,905	312,192	26,287
Investment Earnings	71,224	75,238	82,155	6,917
Donations	2,601	2,747	3,000	253
Miscellaneous	13,911	14,695	16,046	1,351
<i>Total Receipts</i>	2,620,493	2,768,168	3,022,677	254,509
<b>Disbursements</b>				
Current:				
General Government	989,757	1,016,283	951,836	64,447
General Government - Court	403,069	358,242	330,045	28,197
Security of Persons and Property:				
Police	1,033,919	1,088,135	1,039,672	48,463
Fire	223,090	239,059	222,448	16,611
Public Health Services	28,685	28,644	28,602	42
Community Environment	90,140	90,014	89,881	133
Transportation	64,768	65,909	57,883	8,026
Leisure Time Activities	153,268	143,785	112,408	31,377
Capital Outlay	16,631	16,608	16,583	25
<i>Total Disbursements</i>	3,003,327	3,046,679	2,849,358	197,321
<i>Excess of Receipts Over (Under) Disbursements</i>	(382,834)	(278,511)	173,319	451,830
<b>Other Financing Sources (Uses)</b>				
Proceeds from Sale of Capital Assets	448,467	206,050	46,050	(160,000)
Proceeds from Sale of Bonds	62,000	62,000	62,000	0
Advances In	391,385	659,960	212,006	(447,954)
Advances Out	(179,000)	(419,416)	(315,829)	103,587
Transfers Out	(1,060,848)	(767,333)	(578,217)	189,116
<i>Total Other Financing Sources (Uses)</i>	(337,996)	(258,739)	(573,990)	(315,251)
<i>Net Change in Fund Balance</i>	(720,830)	(537,250)	(400,671)	136,579
<i>Fund Balance Beginning of Year</i>	630,895	630,895	630,895	0
Prior Year Encumbrances Appropriated	22,194	22,194	22,194	0
<i>Fund Balance (Deficit) End of Year</i>	(\$67,741)	\$115,839	\$252,418	\$136,579



**Village of the City of Gallipolis, Ohio**  
*Statement of Receipts, Disbursements, and Changes  
in Fund Balance - Budget and Actual (Budget Basis)*  
*Tax Increment Financing Fund*  
For the Year Ended December 31, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Over (Under)
<b>Receipts</b>				
Payments in Lieu of Taxes	\$122,500	\$130,734	\$130,734	\$0
<b>Disbursements</b>				
Current:				
Transportation	<u>6,200</u>	<u>6,450</u>	<u>6,200</u>	<u>250</u>
<i>Excess of Receipts Over Disbursements</i>	116,300	124,284	124,534	250
<b>Other Financing Uses</b>				
Transfers Out	<u>(28,916)</u>	<u>(28,916)</u>	<u>(28,916)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	87,384	95,368	95,618	250
<i>Fund Balance Beginning of Year</i>	<u>499,795</u>	<u>499,795</u>	<u>499,795</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$587,179</u></u>	<u><u>\$595,163</u></u>	<u><u>\$595,413</u></u>	<u><u>\$250</u></u>

See accompanying notes to the basic financial statements

**Village of the City of Gallipolis, Ohio**  
*Statement of Fund Net Position - Cash Basis*  
*Proprietary Funds*  
*December 31, 2011*

	Business-Type Activities			Governmental Activities
	Water Fund	Sewer Fund	Total Enterprise Funds	Internal Service Fund
<b>Assets</b>				
Current Assets:				
Equity in Pooled Cash and Cash Equivalents	\$637,614	\$693,582	\$1,331,196	\$0
Cash in Segregated Accounts	0	0	0	94,352
Internal Balance	19,142	16,587	35,729	0
<i>Total Assets</i>	<u>\$656,756</u>	<u>\$710,169</u>	<u>\$1,366,925</u>	<u>\$94,352</u>
<b>Net Position</b>				
Unrestricted	<u>\$656,756</u>	<u>\$710,169</u>	<u>\$1,366,925</u>	<u>\$94,352</u>

See accompanying notes to the basic financial statements

**Village of the City of Gallipolis, Ohio**  
*Statement of Receipts, Disbursements,  
and Changes in Fund Net Position - Cash Basis*  
**Proprietary Funds**  
For the Year Ended December 31, 2011

	Business-Type Activities			Governmental Activities
	Water	Sewer	Total	Internal
	Fund	Fund	Enterprise Funds	Service Fund
<b>Operating Receipts</b>				
Charges for Services	\$1,553,105	\$1,376,080	\$2,929,185	\$87,063
Other Operating Receipts	9,349	25,809	35,158	0
<i>Total Operating Receipts</i>	<u>1,562,454</u>	<u>1,401,889</u>	<u>2,964,343</u>	<u>87,063</u>
<b>Operating Disbursements</b>				
Salaries and Benefits	649,601	501,553	1,151,154	0
Contractual Services	278,215	230,755	508,970	94,497
Materials and Supplies	136,489	95,909	232,398	0
Capital Outlay	58,082	43,472	101,554	0
<i>Total Operating Disbursements</i>	<u>1,122,387</u>	<u>871,689</u>	<u>1,994,076</u>	<u>94,497</u>
<i>Operating Income (Loss)</i>	<u>440,067</u>	<u>530,200</u>	<u>970,267</u>	<u>(7,434)</u>
<b>Non-Operating Receipts (Disbursements)</b>				
Loan Proceeds	9,956	17,909	27,865	0
Capital Grants	46,450	83,539	129,989	0
Customer Deposits Received	8,897	0	8,897	0
Customer Deposits Returned	(6,087)	0	(6,087)	0
Debt Service Principal	(364,346)	(277,797)	(642,143)	0
Interest and Fiscal Charges	(64,178)	(48,668)	(112,846)	0
<i>Total Non Operating Receipts (Disbursements)</i>	<u>(369,308)</u>	<u>(225,017)</u>	<u>(594,325)</u>	<u>0</u>
<i>Change in Net Position</i>	70,759	305,183	375,942	(7,434)
<i>Net Position Beginning of Year</i>	<u>585,997</u>	<u>404,986</u>	<u>990,983</u>	<u>101,786</u>
<i>Net Position End of Year</i>	<u>\$656,756</u>	<u>\$710,169</u>	<u>\$1,366,925</u>	<u>\$94,352</u>

See accompanying notes to the basic financial statements

**Village of the City of Gallipolis, Ohio**  
*Statement of Fiduciary Net Position - Cash Basis*  
*Municipal Court Agency Fund*  
*December 31, 2011*

**Assets**

Cash and Cash Equivalents in Segregated Accounts	<u><u>\$274,593</u></u>
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**Net Position**

Restricted for Others	<u><u>\$274,593</u></u>
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See accompanying notes to the basic financial statements

**Village of the City of Gallipolis, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Years Ended December 31, 2012 and 2011*

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**Note 1 - Description of the Village and the Reporting Entity**

The Village of the City of Gallipolis, Ohio (the Village), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio, as well as an adopted Village charter. The Village is directed by a five-member Commission elected at large for four year terms and a Village Manager appointed by the Commission.

***Reporting Entity***

The financial reporting entity consists of the primary government, component units, and other governmental organizations that are included to ensure the financial statements are not misleading. The primary government of the Village consists of all funds, departments, boards, and agencies that are not legally separate from the Village. For the Village of the City of Gallipolis, this includes the departments that provide various services including police and fire protection, recreation (including parks), planning and zoning, street maintenance and repair, water and water pollution control, and general administrative services. These activities are directly controlled by the Commission through the budgetary process and by the Village Auditor and the Village Manager through administrative and managerial requirements and procedures.

Component units are legally separate organizations for which the Village is financially accountable. The Village is financially accountable for an organization if the Village appoints a voting majority of the organization's governing board and (1) the Village is able to significantly influence the programs or services performed or provided by the organization; or (2) the Village is legally entitled to or can otherwise access the organization's resources; the Village is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Village is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent upon the Village in that the Village approves the budget, the issuance of debt, or the levying of taxes for the organization. No separate government units meet the criteria for inclusion as a component unit.

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

**Note 2 - Summary of Significant Accounting Policies**

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. The cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). General accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The Village does not apply FASB statements issued after November 30, 1989, to its proprietary funds. Following are the more significant of the Village's accounting policies.

***A. Basis of Presentation***

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

**Village of the City of Gallipolis, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Years Ended December 31, 2012 and 2011*

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***Government-wide Financial Statements*** The statement of net position and the statement of activities display information about the Village as a whole. These statements include the financial activities of the primary government, except for the fiduciary funds. The statements distinguish between those activities that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts, or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of net position presents the cash balances of the governmental and business-type activities of the Village at year end. The statement of activities compares disbursements with program receipts for each of the Village's governmental and business-type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Village is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function or business-type activity is self-financing on a cash basis or draws from the Village's general receipts.

***Fund Financial Statements*** During the year, the Village segregates transactions related to certain Village 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 Village at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

Proprietary fund statements distinguish operating transactions from nonoperating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the fund's principal services. Operating disbursements include costs of sales and services and administrative costs. The proprietary fund statements report all other receipts and disbursements as nonoperating.

### ***B. Fund Accounting***

The Village uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds utilized by the Village: 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. The following are the Village's major governmental funds:

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

***Tax Increment Financing*** This fund accounts funds received due to the TIF agreement with various agencies collected by the County. The Village receives its settlement with the property taxes.

***New Municipal Building*** This fund was established to account for debt proceeds used for the purchase and renovation of a new municipal building.

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***Court Capital Improvement*** This fund was established per ORC 1901.26 for additional funds necessary to acquire and pay for special projects of the Court including the acquisition of additional facilities.

The other governmental funds of the Village account for grants and other resources whose use is restricted, committed, or assigned to a particular purpose.

***Proprietary Funds*** The Village classifies funds financed primarily from user charges for goods or services as proprietary. The Village's proprietary funds are all classified as enterprise funds and in internal service fund. Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. All of the Village's enterprise funds are major funds.

***Water Fund*** The Water Fund is used to account for the revenues generated from the charges for distribution of water to the residential and commercial users of the Village.

***Sewer Fund*** The Sewer Fund is used to account for the revenues generated from the charges for sanitary sewer services provided to the residential and commercial users of the Village.

***Internal Service Fund*** The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the Village on a cost reimbursement basis. The Village's only internal service fund accounts for the operation of the Village's self-insurance program for employee medical reimbursement program.

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

The Village's fiduciary funds are all classified as agency funds. The Village's agency funds account for assets held by the Village as agent for the Digital River Project, fire loss recovery activities, and municipal court collections that are distributed to the State and various local governments.

### ***C. Basis of Accounting***

The Village's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Village's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Village are described in the appropriate section in this note.

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

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***D. Budgetary Process***

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation 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 Village Commission may appropriate. The appropriation resolution is the Village Commission's authorization to spend resources and set annual limits on cash disbursements plus encumbrances at a level of control selected by the Village Commission. The legal level of control has been established by the Village Commission at the fund and function level for all funds.

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

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

***E. Cash and Cash Equivalents***

To improve cash management, cash received by the Village is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through Village records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents."

The Village has a segregated bank account for monies held for the self-insurance internal service fund. This interest bearing depository account is presented in the financial statements as "Cash in Segregated Accounts" and represents deposits.

Interest earnings are allocated to Village funds according to State statutes, grants requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2012 amounted to \$74,413, which includes \$68,253 assigned from other Village funds. Interest receipts credited to the General Fund during 2011 amounted to \$82,155, which includes \$77,873 assigned from other Village funds.

***F. Restricted Assets***

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

***G. Inventory and Prepaid Items***

The Village reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.



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***H. Capital Assets***

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

***I. Interfund Receivables/Payables***

The Village reports advances in and advances out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

***J. Accumulated Leave***

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

***K. Employer Contributions to Cost-Sharing Pension Plans***

The Village recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 11 and 12, the employer contributions include portions for pension benefits and for postretirement health care benefits.

***L. Long-Term Obligations***

The Village's cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid.

***M. Net Position***

Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

Net position restricted for other purposes primarily include activities involving community environment and sanitation. The Village's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

***N. Fund Balance***

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

***Nonspendable*** The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" includes items that are not expected to be converted to cash.

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

***Committed*** The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Village Commissioners. Those committed amounts cannot be used for any other purpose unless the Commission removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

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

***Unassigned*** Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

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

***O. Interfund Transactions***

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

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies 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 receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

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**Note 3 - Change in Accounting Principles**

During 2012, the Village has implemented Government Accounting Standards Board (GASB) Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position," Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions – and amendment of GASB Statement No. 53 and Statement No. 65, "Items Previously Reported as Assets and Liabilities."

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

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

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

During 2011, the Village has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of this statement did not result in any change to the Village's financial statements.

**Note 4 - Budgetary Basis of Accounting**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund and each major special revenue fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis are outstanding year end encumbrances. These are treated as expenditures (budgetary basis) rather than as restricted, committed, or assigned fund balance (cash basis). The encumbrances outstanding at December 31, 2012, (budgetary basis) amounted to \$23,689 for the General Fund. The encumbrances outstanding at December 31, 2011, (budgetary basis) amounted to \$38,478 for the General Fund.

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**Note 5 - Fund Balances**

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the Village is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds for 2012 are presented below:

Fund Balances	General	Tax Increment Financing	New Municipal Building	Court Capital Improvement	Other Governmental	Total
Nonspendable:						
Unclaimed Monies	\$8,015	\$0	\$0	\$0	\$0	\$8,015
Cemetery Endowments	0	0	0	0	27,442	27,442
<i>Total Nonspendable</i>	<u>8,015</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>27,442</u>	<u>35,457</u>
Restricted for:						
Street Improvements	0	516,880	0	0	63,254	580,134
Fire Protection	0	0	0	0	103,786	103,786
Law Enforcement	0	0	0	0	34,347	34,347
Cemeteries	0	0	0	0	130,044	130,044
Recreation	0	0	0	0	28,875	28,875
Court Operations	0	0	0	0	313,348	313,348
Other Purposes	0	0	0	0	27,590	27,590
Court Improvements	0	0	0	251,241	0	251,241
Capital Improvements	0	0	272,529	0	0	272,529
<i>Total Restricted</i>	<u>0</u>	<u>516,880</u>	<u>272,529</u>	<u>251,241</u>	<u>701,244</u>	<u>1,741,894</u>
Committed for:						
Recreation	0	0	0	0	31,135	31,135
Other Purposes	0	0	0	0	48,152	48,152
<i>Total Committed</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>79,287</u>	<u>79,287</u>
Assigned to:						
Encumbrances	23,689	0	0	0	0	23,689
Unassigned:	218,440	0	0	0	0	218,440
<i>Total Fund Balances</i>	<u>\$250,144</u>	<u>\$516,880</u>	<u>\$272,529</u>	<u>\$251,241</u>	<u>\$807,973</u>	<u>\$2,098,767</u>

The constraints placed on fund balance for the major governmental funds and all other governmental funds for 2011 are presented below:

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Fund Balances	General	Tax Increment Financing	New Municipal Building	Court Capital Improvement	Other Governmental	Total
Nonspendable:						
Unclaimed Monies	\$8,322	\$0	\$0	\$0	\$0	\$8,322
Cemetery Endowments	0	0	0	0	27,442	27,442
<i>Total Nonspendable</i>	<u>8,322</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>27,442</u>	<u>35,764</u>
Restricted for:						
Street Improvements	0	595,413	0	0	96,983	692,396
Fire Protection	0	0	0	0	118,174	118,174
Law Enforcement	0	0	0	0	90,431	90,431
Cemeteries	0	0	0	0	29,132	29,132
Recreation	0	0	0	0	29,957	29,957
Court Operations	0	0	0	0	325,690	325,690
Other Purposes	0	0	0	0	25,835	25,835
Court Improvements	0	0	0	644,180	0	644,180
Capital Improvements	0	0	1,904,674	0	0	1,904,674
<i>Total Restricted</i>	<u>0</u>	<u>595,413</u>	<u>1,904,674</u>	<u>644,180</u>	<u>716,202</u>	<u>3,860,469</u>
Committed for:						
Economic Development	16,000	0	0	0	0	16,000
Recreation	0	0	0	0	30,283	30,283
Other Purposes	0	0	0	0	41,067	41,067
<i>Total Committed</i>	<u>16,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>71,350</u>	<u>87,350</u>
Assigned to:						
Encumbrances	22,478	0	0	0	0	22,478
Unassigned:						
	244,096	0	0	0	0	244,096
<i>Total Fund Balances</i>	<u>\$290,896</u>	<u>\$595,413</u>	<u>\$1,904,674</u>	<u>\$644,180</u>	<u>\$814,994</u>	<u>\$4,250,157</u>

**Note 6 - Deposits and Investments**

State statutes classify monies held by the Village into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the Village Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Village Commission has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit, or by savings or deposit accounts including passbook accounts.

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Interim monies held by the Village can 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 and interest by the United States;
2. Bonds, notes, debentures, or 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 the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAROhio); and,
8. Commercial paper and bankers acceptances if training requirements have been met.

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

**Deposits** Custodial credit risk for deposits is the risk that in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. At December 31, 2012, \$2,975,808 of the Village's bank balance of \$3,506,021 was exposed to custodial credit risk because it was uninsured and uncollateralized. At December 31, 2011, \$3,701,070 of the Village's bank balance of \$6,179,454 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the Village to a successful claim by the FDIC.

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

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**Note 7 - Income Taxes**

The Village levies a one percent income tax whose proceeds are placed into General Fund. The Village levies and collects the tax on all income earned within the Village as well as on incomes of residents earned outside of the Village. In the latter case, the Village allows a credit for income taxes paid to another municipality up to the full amount of the tax owed. Employers within the Village are required to withhold income tax on employee earnings and remit the tax to the Village at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return with the Village.

**Note 8 - Property Taxes**

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

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

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

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

The full tax rate for all Village operations for both years ended December 31, 2012 and 2011, was \$3.90 per \$1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2012 property tax receipts were based are as follows:

Real Property:	
Residential and Agricultural	\$39,609,010
Commercial/Industrial/Mineral	31,553,960
Public Utility Personal Property	3,215,520
Other	<u>186,127</u>
Total Assessed Value	<u><u>\$74,564,617</u></u>

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**Note 9 - Interfund Receivables/Payables**

**A. Transfers**

During 2012, the following transfers were made:

<b>Transfer to</b>	<b>Transfer from</b>				<b>Total</b>
	<b>Major Funds</b>				
	General	Tax Increment Financing	Court Capital Improvements	Other Nonmajor Governmental	
Major Funds					
General	\$0	\$0	\$0	\$852	\$852
New Municipal Building	342,260	0	0	0	342,260
Other Nonmajor					
Governmental Funds	471,737	28,916	50,000	220,919	771,572
Water Enterprise Fund	0	0	0	6,018	6,018
Sewer Enterprise Fund	0	0	0	21,333	21,333
<b>Total all Funds</b>	<b>\$813,997</b>	<b>\$28,916</b>	<b>\$50,000</b>	<b>\$249,122</b>	<b>\$1,142,035</b>

During 2011, the following transfers were made:

<b>Transfer to</b>	<b>Transfer from</b>			<b>Total</b>
	<b>Major Funds</b>			
	General	Tax Increment Financing	Other Nonmajor Governmental	
New Municipal Building	\$60,000	\$0	\$0	\$60,000
Other Nonmajor Governmental	518,217	28,916	222,144	769,277
<b>Total all Funds</b>	<b>\$578,217</b>	<b>\$28,916</b>	<b>\$222,144</b>	<b>\$829,277</b>

The above mentioned Transfers From/To were used to move receipts from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them; and to use unrestricted receipts collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Nonroutine transfers from the Tax Increment Financing and other nonmajor governmental funds were in compliance with Ohio Revised Code to either make debt payments or for designated capital projects. Other nonroutine transfers were made from the FEMA Fund to reimburse the General, Street and State Highway, Cemeteries, Water, and Sewer Funds.

**B. Interfund Balances**

For governmental activities, interfund balances at December 31, 2012, arise from the provision of cash flow resources from the General Fund, Court Probation Services Fund, Court Grant Funds, and Court Capital Improvement Fund until the receipt of grant monies by the other governmental funds. The payable from the Sewer Fund to the General Fund resulted from interest receipts being incorrectly posted to the Sewer Fund in prior years.



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	Interfund Receivables	Interfund Payables
Major Funds		
General Fund	\$404,933	\$0
Court Capital Improvement Fund	12,000	0
Other Governmental Funds		
Court Grant Funds	15,000	12,000
Assistance to Firefighters	0	35,251
Court Probation Services	15,000	15,000
Law Enforcement Funds	0	17,601
ODNR Litter Clean-up Grant	0	2,000
Cemeteries	0	265,081
Sewer Enterprise Fund	0	100,000
Total all Funds	<u>\$446,933</u>	<u>\$446,933</u>

Interfund balances at December 31, 2011, consist of the following:

	Interfund Receivables	Interfund Payables
Major Funds		
General Fund	\$765,310	\$0
Court Capital Improvement Fund	12,000	0
Other Governmental Funds		
Court Grant Funds	0	12,000
Assistance to Firefighters	0	35,251
Court Probation Services	15,000	0
Law Enforcement Funds	0	90,095
ODNR Litter Clean-up Grant	0	2,000
ODNR Playground Equipment Grant	0	6,375
Cemeteries	0	234,329
Sewer Enterprise Fund	0	412,260
Total all Funds	<u>\$792,310</u>	<u>\$792,310</u>

**Note 10 - Risk Management**

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Village contracts with The Travelers for its coverage as follows:

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<u>Property</u>	<u>Limit</u>	<u>Deductible</u>	
Real and Personal Property	\$23,472,946	\$2,500	
<u>Liability</u>	<u>Limit (Per Occurrence)</u>	<u>Aggregate</u>	<u>Deductible</u>
Commercial General	\$1,000,000	\$3,000,000	\$10,000
Employee Benefits	1,000,000	3,000,000	1,000
Law Enforcement	1,000,000	3,000,000	5,000
Public Entity Management	1,000,000	3,000,000	5,000
<u>Auto</u>	<u>Limit</u>	<u>Deductible</u>	
Liability	\$1,000,000	\$2,500	
Medical Payments	5,000	0	
Uninsured Motorist	25,000	0	
Comprehensive		1,000	

There were no significant reductions in coverage from prior years. Settlements have not exceeded coverage in any of the last three years.

The Village pays the State Workers' Compensation System a premium for employee injury coverage based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

**Note 11 - Defined Benefit Pension Plans**

**A. Ohio Public Employees Retirement System**

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

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

**Village of the City of Gallipolis, Ohio**  
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Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units and 18.1 percent of covered payroll for law enforcement and public safety employer units. Member contribution rates, as set forth in the Ohio Revised Code, are not to exceed 10 percent of covered payroll for members in State and local divisions and 12 percent for law enforcement and public safety members. For the year ended December 31, 2012, members in state and local divisions contributed 10 percent of covered payroll while public safety and law enforcement members contributed 11.0 percent and 11.6 percent, respectively. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan. For 2012, member and employer contribution rates were consistent across all three plans.

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

The Village's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2012, 2011, and 2010, were \$187,737, \$195,147, and \$167,498, respectively; 98 percent has been contributed for 2012 and 100 percent for 2011 and 2010. Contributions to the member-directed plan for 2012 were \$5,313 made by the Village and \$3,795 made by the plan members.

***B. Ohio Police and Fire Pension Fund***

Plan Description - The Village contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10.0 percent of their annual covered salary, while employers are required to contribute 19.5 percent for police officers and 24.0 percent for firefighters. The Village's contributions to OP&F for police and firefighters were \$62,864 and \$5,424 for the year ended December 31, 2012, \$61,977 and \$6,500 for the year ended December 31, 2011, and \$56,184 and \$6,140 for the year ended December 31, 2010. The full amount has been contributed for 2012, 2011, and 2010.

**Note 12 - Postemployment Benefits**

***A. Ohio Public Employees Retirement System***

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

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

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling 614-222-5601 or 800-222-7377.

Funding Policy – The post-employment health care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). State statute requires that public employers fund post-employment health care through contributions to OPERS. A portion of each employer’s contribution to OPERS is set aside for the funding of post-retirement health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2012, state and local government employers contributed at a rate of 14.0 percent of covered payroll, and public safety and law enforcement employers contributed at 18.1 percent. Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding post-employment health care benefits. The amount of employer contributions which were allocated to fund post-employment health care was 4.0 percent.

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

The Village’s contributions allocated to fund post-employment health care benefits for the years ended December 31, 2012, 2011, and 2010, were \$75,095, \$78,059, and \$108,381, respectively; 100 percent has been contributed for 2012, 2011, and 2010.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased as of January 1 of each year from 2006 to 2008. Rates for law and public safety employers increased over a six year period beginning on January 1, 2006, with a final rate increase on January 1, 2011. These rate increases allowed additional funds to be allocated to the health care plan.

***B. Ohio Police and Fire Pension Fund***

Plan Description – The Village contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored health care program, a cost-sharing multiple-employer defined post-employment health care plan administered by OP&F. OP&F provides health care benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium reimbursement, and long-term care to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45.

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The Ohio Revised Code allows, but does not mandate OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164. That report is also available on OP&F's website at [www.op-f.org](http://www.op-f.org).

Funding Policy – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F (defined benefit pension plan). Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5 percent and 24.0 percent of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5 percent of covered payroll for police employer units and 24.0 percent of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

OP&F maintains funds for health care in two separate accounts. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B reimbursements administered as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2012, the employer contribution allocated to the health care plan was 6.75 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Section 115 and 401(h).

The OP&F Board of Trustees is also authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The Village's contributions to OP&F for the healthcare plan for police and firefighters were \$33,281 and \$2,122 for the year ended December 31, 2012, \$32,812 and \$2,544 for the year ended December 31, 2011, and \$29,744 and \$2,403 for the year ended December 31, 2010.

**Note 13 - Capital Leases**

In the current and prior years, the Village entered into capitalized leases for office equipment and vehicles. The lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13 "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Principal payments for all capital leases during 2012 totaled \$50,642.

Future minimum lease payments through 2019 are as follows:

**Village of the City of Gallipolis, Ohio**  
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Year	Governmental Activities		Business-Type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$41,579	\$8,620	\$20,713	\$3,932	\$62,292	\$12,552
2014	33,045	6,062	21,444	3,200	54,489	9,262
2015	34,526	4,580	22,208	2,438	56,734	7,018
2016	36,089	3,017	22,997	1,646	59,086	4,663
2017	28,141	1,417	14,338	815	42,479	2,232
2018 - 2019	39,176	2,077	25,802	606	64,978	2,683
	<u>\$212,556</u>	<u>\$25,773</u>	<u>\$127,502</u>	<u>\$12,637</u>	<u>\$340,058</u>	<u>\$38,410</u>

**Note 14 - Long-Term Obligations**

Changes in long-term obligations of the Village during 2011 and 2012 were as follows:

	Principal Outstanding 12/31/10	Additions	Deductions	Principal Outstanding 12/31/11
<b>Governmental Activities:</b>				
Loans:				
2000 Evans Road State Infrastructure Bank Loan - 3.00% restated at December 31, 2008	\$367,038	\$0	\$17,124	\$349,914
2005 Ameresco Energy Conservation Improvements Loan - 3.89%	549,670	0	111,786	437,884
<b>Total Loans</b>	<u>916,708</u>	<u>0</u>	<u>128,910</u>	<u>787,798</u>
Bond Anticipation Notes:				
2002 Fire Truck - 4.68%	136,444	0	43,370	93,074
2002 Pumper/Tanker - 4.48%	122,462	0	16,307	106,155
2007 Municipal Building - 4.15%	30,545	0	30,545	0
<b>Total Bond Anticipation Notes</b>	<u>289,451</u>	<u>0</u>	<u>90,222</u>	<u>199,229</u>
General Obligation Bonds:				
2002 Fire Station - 4.99%	503,367	0	14,560	488,807
2011 Various Purpose - 3.91%	0	2,342,000	0	2,342,000
<b>Total General Obligation Bonds</b>	<u>503,367</u>	<u>2,342,000</u>	<u>14,560</u>	<u>2,830,807</u>
Capital Leases	47,254	54,140	38,554	62,840
<b>Total Governmental Activities</b>	<u>\$1,756,780</u>	<u>\$2,396,140</u>	<u>\$272,246</u>	<u>\$3,880,674</u>

**Village of the City of Gallipolis, Ohio**  
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	Principal Outstanding 12/31/10	Additions	Deductions	Principal Outstanding 12/31/11
<b>Business-Type Activities:</b>				
2010 OPWC Spruce Street Water and Sewer Improvements - 0%	\$93,701	\$27,865	\$4,052	\$117,514
2005 Ameresco Energy Conservation Improvements Loan - 3.89%	3,137,603	0	638,091	2,499,512
Capital Leases	0	49,534	9,215	40,319
<b>Total Business-Type Activities</b>	<b>\$3,231,304</b>	<b>\$77,399</b>	<b>\$651,358</b>	<b>\$2,657,345</b>

	Principal Outstanding 12/31/11	Additions	Deductions	Principal Outstanding 12/31/12	Amounts Due in One Year
<b>Governmental Activities:</b>					
Loans:					
2000 Evans Road State Infrastructure Bank Loan - 3.00% restated at December 31, 2008	\$349,914	\$0	\$17,686	\$332,228	\$18,266
2005 Ameresco Energy Conservation Improvements Loan - 3.89%	437,884	0	117,485	320,399	123,447
<b>Total Loans</b>	<b>787,798</b>	<b>0</b>	<b>135,171</b>	<b>652,627</b>	<b>141,713</b>
Bond Anticipation Notes:					
2002 Fire Truck - 4.68%	93,074	0	45,440	47,634	47,634
2002 Pumper/Tanker - 4.48%	106,155	0	17,042	89,113	17,839
<b>Total Bond Anticipation Notes</b>	<b>199,229</b>	<b>0</b>	<b>62,482</b>	<b>136,747</b>	<b>65,473</b>
General Obligation Bonds:					
2002 Fire Station - 4.99%	488,807	0	15,295	473,512	16,068
2011 Various Purpose - 3.91%	2,342,000	0	64,367	2,277,633	82,728
<b>Total General Obligation Bonds</b>	<b>2,830,807</b>	<b>0</b>	<b>79,662</b>	<b>2,751,145</b>	<b>98,796</b>
Capital Leases	62,840	191,752	42,036	212,556	41,579
<b>Total Governmental Activities</b>	<b>\$3,880,674</b>	<b>\$191,752</b>	<b>\$319,351</b>	<b>\$3,753,075</b>	<b>\$347,561</b>

**Village of the City of Gallipolis, Ohio**  
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	Principal Outstanding 12/31/11	Additions	Deductions	Principal Outstanding 12/31/12	Amounts Due in One Year
<b>Business-Type Activities:</b>					
2010 OPWC Spruce Street Water and Sewer Improvements - 0%	\$117,514	\$0	\$4,052	\$113,462	\$2,026
2005 Ameresco Energy Conservation Improvements Loan - 3.89%	2,499,512	0	670,620	1,828,892	704,651
Capital Leases	40,319	95,789	8,606	127,502	20,713
<b>Total Business-Type Activities</b>	<b><u>\$2,657,345</u></b>	<b><u>\$95,789</u></b>	<b><u>\$683,278</u></b>	<b><u>\$2,069,856</u></b>	<b><u>\$727,390</u></b>

The State Infrastructure Bank Loan, originally obtained on June 26, 2000, in the amount of \$802,835, represents amounts borrowed for the construction of Evans Road and will be retired from payments in lieu of tax receipts in the Tax Incremental Financing Fund.

Principal and interest requirements to retire the State Infrastructure Bank Loan outstanding at December 31, 2012, are as follows:

Year Ended December 31,	Principal	Interest	Total
2013	\$18,266	\$9,784	\$28,050
2014	18,863	9,230	28,093
2015	19,481	8,658	28,139
2016	20,120	8,068	28,188
2017	20,780	7,457	28,237
2018 - 2022	114,570	27,408	141,978
2023 - 2027	120,148	8,898	129,046
	<b><u>\$332,228</u></b>	<b><u>\$79,503</u></b>	<b><u>\$411,731</u></b>

The Ameresco Energy Conservation Improvements Loan, originally obtained on September 22, 2005, was used for a Village-wide energy conservation improvement project. The project included the replacement or improvement of the Village's street lights, swimming pool, sewer plant, water plant, parks, and riverbank. The loan activity is reflected in the General Fund, the Fire Levy Fund, and the Water and Sewer Funds.

Principal and interest requirements to retire the Ameresco Energy Conservation Improvement Loan outstanding at December 31, 2012, are as follows:

Year Ended December 31,	Governmental		Business-Type		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$123,447	\$10,682	\$704,651	\$60,975	\$828,098	\$71,657
2014	129,684	5,789	740,255	33,049	869,939	38,838
2015	67,268	983	383,986	5,611	451,254	6,594
	<b><u>\$320,399</u></b>	<b><u>\$17,454</u></b>	<b><u>\$1,828,892</u></b>	<b><u>\$99,635</u></b>	<b><u>\$2,149,291</u></b>	<b><u>\$117,089</u></b>



**Village of the City of Gallipolis, Ohio**  
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The Fire Truck Bond Anticipation Note, originally issued on August 26, 2002, in the amount of \$419,000 and the Pumper/Tanker Truck Bond Anticipation Note, originally issued on April 24, 2002, in the amount of \$235,000, represent amounts borrowed for the purchase of new fire trucks. Both bond anticipation notes will be retired from property tax receipts in the Fire Levy Fund. The Municipal Building Bond Anticipation Notes were issued on November 9, 2007, for \$115,000 and matured on November 9, 2011. These bond anticipation notes were issued for the purpose of financing the acquisition of the Davis Hall building. The notes will be retired through municipal income tax receipts.

Principal and interest requirements to retire the bond anticipation notes outstanding at December 31, 2012, are as follows:

Year Ended December 31,	Principal	Interest	Total
2013	\$65,473	\$5,460	\$70,933
2014	18,659	3,026	21,685
2015	19,516	2,169	21,685
2016	20,407	1,277	21,684
2017	12,692	335	13,027
	<u>\$136,747</u>	<u>\$12,267</u>	<u>\$149,014</u>

The Fire Station General Obligation Bonds, originally issued on February 25, 2002, in the amount of \$602,000, represents amounts borrowed for the construction of a fire station and will be retired from property tax receipts in the Fire Levy Fund.

Principal and interest requirements to retire the Fire Station General Obligation Bonds outstanding at December 31, 2012, are as follows:

Year Ended December 31,	Principal	Interest	Total
2013	\$16,068	\$23,430	\$39,498
2014	16,880	22,618	39,498
2015	17,733	21,766	39,499
2016	18,629	20,870	39,499
2017	19,570	19,929	39,499
2018 - 2022	113,716	83,775	197,491
2023 - 2027	145,497	51,996	197,493
2028 - 2031	125,419	12,825	138,244
	<u>\$473,512</u>	<u>\$257,209</u>	<u>\$730,721</u>

The Various Purpose Bonds was issued on September 30, 2011, for \$2,342,000 and matures on December 1, 2031. The bonds were issued for the purpose of acquiring and constructing a new justice center and an auxiliary fire station. The bonds will be retired from property tax receipts and court fees.

Principal and interest requirements to retire the Various Purpose Bonds outstanding at December 31, 2012, are as follows:

**Village of the City of Gallipolis, Ohio**  
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Year Ended December 31,	Principal	Interest	Total
2013	\$82,728	\$88,255	\$170,983
2014	85,994	84,989	170,983
2015	89,390	81,593	170,983
2016	92,919	78,064	170,983
2017	96,587	74,395	170,982
2018 - 2022	543,242	311,671	854,913
2023 - 2027	659,292	195,620	854,912
2028 - 2031	627,481	56,448	683,929
	<u>\$2,277,633</u>	<u>\$971,035</u>	<u>\$3,248,668</u>

The OPWC Spruce Street Water and Sewer Improvement Loan began draws in 2010 and was obtained to finance the improvements to water and sewer lines on Spruce Street. The loan activity will be reflected in the Sewer and Water Funds which received the proceeds and will repay the debt.

Principal requirements to retire the OPWC Spruce Street Water and Sewer Improvement Loan outstanding at December 31, 2012, are as follows:

Year Ended December 31,	Principal
2013	\$2,026
2014	4,052
2015	4,052
2016	4,052
2017	4,053
2018 - 2022	20,261
2023 - 2027	20,261
2028 - 2032	20,261
2033 - 2037	20,261
2038 - 2041	14,183
	<u>\$113,462</u>

The Village's overall legal debt margin was \$4,288,766, with an unvoted debt margin of \$560,535 at December 31, 2012.

**Note 15 - Contingencies**

**A. Grants**

The Village receives financial assistance from federal and State agencies in the form of grants. Disbursing grant funds generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims through December 31, 2012, will not have a material adverse effect on the Village.

**Village of the City of Gallipolis, Ohio**  
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**B. Litigation**

The Village is currently party to pending litigation seeking damages and/or injunctive relief as confirmed by the Village Solicitor. The Village management is of opinion that ultimate disposition of these claims and legal proceeding will not have a material effect, if any, on the financial condition of the Village.

**Note 16 – Subsequent Events**

On February 21, 2013, the Village Commission approved a 15 year 3.55% bond for \$353,175 with Ohio Valley Bank for the purpose street improvements.

On March 25, 2013, the Village Commission paid off the State Infrastructure Bank loan of \$335,368.43.

On May 7, 2013, the Village Commission agreed to finance the WPC Facility improvements project with OPWC to receive a \$500,000 grant and \$500,000 loan with an interest rate of 1%.

**Note 17 – Compliance**

Ohio Rev. Code Section 5705.36(A)(4) states that upon a determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be less than the amount included in an official certificate and that the amount of the deficiency will reduce available resources below the level of current appropriations, the fiscal officer shall certify the amount of the deficiency to the commission, and the commission shall certify an amended certificate reflecting the deficiency. The Village had actual resources below the current level of appropriations in the New Building Fund and Cemeteries Fund at December 31, 2011 and the General Fund and New Building Fund at December 31, 2012.

**Note 18 – Contractual Commitments**

During 2011 and 2012, the Village awarded several contracts relating to the construction of the Justice Center and Municipal Building and various other projects throughout the Village. Contractual commitments at December 31, 2011 were as follows:

<b>Contractor</b>	<b>Project</b>	<b>Contract Remaining as of December 31, 2011</b>
U.S. Bridge	Slip Repair on access road	\$ 11,484
Kinsale Corp.	Construction of Justice Center	\$ 1,266,950
<b>Total</b>		<b>\$ 1,278,434</b>

**Village of the City of Gallipolis, Ohio**  
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Contractual commitments at December 31, 2012 were as follows:

<b>Contractor</b>	<b>Project</b>	<b>Contract Remaining as of December 31, 2012</b>
Kinsale Corp.	Construction of Justice Center	\$ 11,428
Hoon, Inc.	Construction of Municipal Building	\$ 304,347
Boone Coleman Construction	Slip Repair on First Avenue	\$ 706,271
<b>Total</b>		<b>\$ 1,022,046</b>



# Dave Yost • Auditor of State

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

Village of the City of Gallipolis  
Gallia County  
333 Third Avenue  
P.O. Box 339  
Gallipolis, Ohio 45631

To the Village Commission:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of the City of Gallipolis, Gallia County, Ohio (the Village), as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements and have issued our report thereon dated June 26, 2013.

### ***Internal Control Over Financial Reporting***

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

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

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

### ***Compliance and Other Matters***

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings as item 2012-01.

***Entity's Response to Findings***

The Village's response to the Finding identified in our audit is described in the accompanying Schedule of Findings. We did not audit the Village's response and, accordingly, we express no opinion on it.

***Purpose of this Report***

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

**Dave Yost**  
Auditor of State

Columbus, Ohio

June 26, 2013

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

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2012 AND 2011**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2012-01**

**Noncompliance Citation**

Ohio Rev. Code Section 5705.36(A)(4) states that upon a determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be less than the amount included in an official certificate and that the amount of the deficiency will reduce available resources below the level of current appropriations, the fiscal officer shall certify the amount of the deficiency to the commission, and the commission shall certify an amended certificate reflecting the deficiency.

At December 31, 2011, the Village had actual resources below the current level of appropriations in the following funds:

Fund	Actual Resources	Appropriation Authority	Variance
New Building Fund	\$2,637,799	\$2,783,849	(\$146,050)
Cemeteries Fund	\$414,901	\$629,812	(\$214,911)

At December 31, 2012, the Village had actual resources below the current level of appropriations in the following funds:

Fund	Actual Resources	Appropriation Authority	Variance
General Fund	\$3,937,659	\$4,002,121	(\$64,462)
New Building Fund	\$953,328	\$1,018,103	(\$64,775)

Since the expenditures of the Village funds are based on the estimated resources, instances when the beginning fund balances and actual receipts do not meet budgetary estimates may lead to overspending.

We recommend the Village Auditor monitor estimated and actual receipts. If it becomes apparent that the Village is not going to receive the amount of estimated resources, the Village Auditor should obtain a reduced amended certificate from the County Budget Commission. We further recommend the Village Commission make corresponding reductions in appropriations.

**Officials' Response:**

The management of the City of Gallipolis does not believe that the City was in any actual danger of overspending in any of the funds noted in this citation for the following reasons:

2011 group:

In the fall of 2011, the County bought the Davis Hall property from the City of Gallipolis for a purchase price of \$206,050. They asked to pay in two payments: \$46,050, which they paid in 2011 and \$160,000 paid on January 12, 2012. The \$160,000 was receivable at the end of 2011. We did not reduce the appropriation because we were expecting payment at any time. The -\$146,050 variance in the New Building Fund was due to the \$160,000 outstanding receivable from the County.

VILLAGE OF THE CITY OF GALLIPOLIS  
GALLIA COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2012 AND 2011  
(Continued)

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

**FINDING NUMBER 2012-01 (Continued)**

**Officials' Response: (Continued)**

The -\$214,911 variance in the Cemetery Fund was due to the fact that the City of Gallipolis was planning to go out for a bond for the road projects in the cemetery for \$234,328.50. The money for these projects had been advanced from the General Fund to the Cemetery Fund in anticipation of the bond. There was an appropriation in the Cemetery Fund for \$234,328.50 to be advanced back to the General Fund upon receipt of the bond money of equal amount. The triggering event for the advance to be paid back was the issuance of the bond. There was no possibility of the City over-spending in the Cemetery fund by the \$214,911 of variance because that amount was completely covered in the amount designated for the sole purpose of an advance back to General, which could not be paid until the bond was issued.

2012 group:

At the end of 2012, the General Fund was expecting to receive back \$221,329.50 in advances, mostly from FEMA and advances made to the Cemetery Fund that were to be paid back upon issuance of a Road Bond (which we issued in February 2013). FEMA owed \$88,284 on Mound Hill Road, which was receivable at the end of 2012. We did not know when to expect the check from them, so I had left it as expected before the end of 2012. It did not arrive until February and March of 2013. The -\$64,462 variance in the General Fund would have been covered had the check arrived more timely.

At the end of 2012, we still had \$66,050 remaining in the appropriation to transfer from General Fund to the New Building Fund. It was readily available to handle any additional encumbrances that we may have needed to place against appropriations in the New Building Fund. This amount would have readily covered the -\$64,775 variance in that fund had we needed to spend the additional amount in 2012.