

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

REGULAR AUDIT

FOR YEARS ENDED DECEMBER 31, 2006 AND 2005



Mary Taylor, CPA
Auditor of State

Village Council
Village of the City of Gallipolis
518 Second Avenue
Gallipolis, Ohio 45631

We have reviewed the *Independent Accountants' Report* of the Village of the City of Gallipolis, Gallia County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2005 through December 31, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

October 18, 2007

This Page is Intentionally Left Blank.

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

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements for the Year Ended December 31, 2006:	
<i>Government-Wide Financial Statements:</i>	
Statement of Net Assets – Cash Basis	12
Statement of Activities.....	13
<i>Fund Financial Statements:</i>	
Statement of Cash Basis Assets and Fund Balances – Governmental Funds.....	14
Statement of Cash Receipts, Disbursements, and Changes in Fund Balances – Cash Basis – Governmental Funds.....	15
Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – (Budget Basis) - General Fund.....	16
Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – (Budget Basis) – Court Computerization Special Revenue Fund.....	17
Statement of Fund Net Assets – Cash Basis – Enterprise Funds	18
Statement of Receipts, Disbursements, and Changes in Fund Net Assets – Cash Basis – Enterprise Funds	19
Statement of Cash Flows – Cash Basis – Enterprise Funds	20
Basic Financial Statements for the Year Ended December 31, 2005:	
<i>Government-Wide Financial Statements:</i>	
Statement of Net Assets – Cash Basis	21
Statement of Activities.....	22
<i>Fund Financial Statements:</i>	
Statement of Cash Basis Assets and Fund Balances – Governmental Funds.....	23
Statement of Receipts, Disbursements, and Changes in Fund Balances – Cash Basis– Governmental Funds.....	24
Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – (Budget Basis) - General Fund.....	25

VILLAGE OF THE CITY OF GALLIPOLIS
GALLIA COUNTY

TABLE OF CONTENTS
(Continued)

TITLE	PAGE
Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – (Budget Basis) – Court Computerization Special Revenue Fund.....	26
Statement of Fund Net Assets – Cash Basis – Enterprise Funds	27
Statement of Receipts, Disbursements, and Changes in Fund Net Assets – Cash Basis – Enterprise Funds	28
Statement of Cash Flows – Cash Basis – Enterprise Funds	29
Notes to the Basic Financial Statements	30
Independent Accountants’ Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	49

Perry & Associates
Certified Public Accountants, A.C.

PARKERSBURG
1035 Murdoch Avenue
Parkersburg, WV 26101
(304) 422-2203

MARIETTA
428 Second Street
Marietta, OH 45750
(740) 373-0056

INDEPENDENT ACCOUNTANTS' REPORT

August 27, 2007

Village of the City of Gallipolis
Gallia County
518 Second Avenue
Gallipolis, Ohio 45631

To the Village Commission:

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, 2006 and 2005, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As described more fully in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

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, as of December 31, 2006 and 2005, and the respective changes in cash financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General and Court Computerization Funds for the year then ended in conformity with basis of accounting Note 2 describes.

For the years ended December 31, 2006 and December 31, 2005, the Village revised its financial statement presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 27, 2007, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

Respectfully Submitted,

Perry and Associates
Certified Public Accountants, A.C.

Village of the City of Gallipolis, Ohio
Management's Discussion and Analysis
For the Years Ended December 31, 2005 and 2006
Unaudited

The discussion and analysis of the Village of the City of Gallipolis's financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2006, 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 for 2006 are as follows:

- Cash of the Village's governmental activities decreased \$211,332, or 7.9% from 2005. This is the result of the Village's continuing Ameresco capital project, a Village-wide energy conservation improvement project.
- Net assets of business-type activities decreased \$1,878,902, or 39.4%, a significant change from the prior year. This decrease in cash and cash equivalents is also the result of the Village's Ameresco capital project.
- The Village has two major funds; the General Fund and the Court Computerization Special Revenue Fund. The General Fund had \$2,879,441 in revenues and \$2,864,970 in expenditures. The General Fund's balance decreased \$373,264. The Court Computerization Fund had \$38,643 in revenues and \$59,502 in expenditures. The Court Computerization Fund's balance decreased by \$20,859.
- The Village has two business-type activities: the Water and Sewer Funds. The Water Fund had \$1,447,885 in operating revenues and \$1,840,879 in operating expenses. The Water Fund's net asset balance decreased \$886,960. The Sewer Fund had \$1,193,725 in operating revenues and \$1,980,457 in operating expenses. The Sewer Fund's net asset balance decreased \$991,942.

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 assets 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, 2005 and 2006
Unaudited

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 Assets and Statement of Activities

The statement of net assets and the statement of activities reflect how the Village did financially during 2006, within the limitations of the cash basis of accounting. The statement of net assets 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 assets 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, 2005 and 2006
Unaudited

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 nonmajor 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 and the Court Computerization Special Revenue 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.

Village of the City of Gallipolis, Ohio
Management's Discussion and Analysis
For the Years Ended December 31, 2005 and 2006
Unaudited

THE VILLAGE OF THE CITY OF GALLIPOLIS AS A WHOLE

Table 1 provides a summary of the Village's net assets for 2006 compared to 2005 on a cash basis:

Net Assets						
	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Assets						
Cash and Cash Equivalents	\$2,383,438	\$2,325,345	\$1,339,355	\$1,324,583	\$3,722,793	\$3,649,928
Cash and Cash Equivalents with Escrow Agents	47,648	317,073	1,550,905	3,444,579	1,598,553	3,761,652
<i>Total Assets</i>	<u>2,431,086</u>	<u>2,642,418</u>	<u>2,890,260</u>	<u>4,769,162</u>	<u>5,321,346</u>	<u>7,411,580</u>
Net Assets						
Restricted for:						
Street	200,873	133,053	0	0	200,873	133,053
Police	20,611	17,712	0	0	20,611	17,712
Fire	123,250	102,759	0	0	123,250	102,759
Cemetery	35,264	54,862	0	0	35,264	54,862
Recreation	63,279	54,264	0	0	63,279	54,264
Court	793,727	726,768	0	0	793,727	726,768
Capital Improvements	8,840	2,100	0	0	8,840	2,100
Perpetual Care	25,442	22,442	0	0	25,442	22,442
Unclaimed Monies	27,659	22,830	0	0	27,659	22,830
Other Purposes	26,799	22,193	0	0	26,799	22,193
Unrestricted	1,105,342	1,483,435	2,890,260	4,769,162	3,995,602	6,252,597
<i>Total Net Assets</i>	<u>\$2,431,086</u>	<u>\$2,642,418</u>	<u>\$2,890,260</u>	<u>\$4,769,162</u>	<u>\$5,321,346</u>	<u>\$7,411,580</u>

As mentioned previously, net assets of governmental activities decreased \$211,332, or 7.9 percent and the Village's business-type activities net assets decreased \$1,878,902, or 34.9 percent during 2006. The primary reasons contributing to the decreases in cash balances are as follows:

- Slow growth in local tax revenues. Due to the slowing of the economy, property tax valuation within the Village increase only marginally from \$76,307,201 to \$79,486,091 for \$3,178,890. Additionally, local wages have experienced only negligible growth, resulting in little change in income tax receipts compared to last year.
- The Village's continuing Ameresco energy conservation improvement project. The project, totaling \$6,000,000 Village-wide, will reduce the Village's energy consumption and will include improvements to the Village's street lighting, swimming pool, park facilities, and water and sewer systems, began in 2005 and continued through 2006.

Village of the City of Gallipolis, Ohio
Management's Discussion and Analysis
For the Years Ended December 31, 2005 and 2006
Unaudited

Table 2 reflects the changes in net assets on a cash basis in 2006 and 2005 for governmental activities, business-type activities, and total primary government.

(Table 2)						
Changes in Net Assets						
	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Receipts						
Program Receipts:						
Charges for Services	\$1,283,762	\$1,249,790	\$2,641,482	\$2,631,573	\$3,925,244	\$3,881,363
Operating Grants, Contributions and Interest	299,536	342,808	0	3,500	299,536	346,308
Capital Grants and Contributions and Interest	78,591	301,879	0	0	78,591	301,879
<i>Total Program Receipts</i>	1,661,889	1,894,477	2,641,482	2,635,073	4,303,371	4,529,550
General Receipts:						
Property Taxes	318,788	310,113	0	0	318,788	310,113
Income Taxes	1,513,100	1,457,804	0	0	1,513,100	1,457,804
Payments in Lieu of Taxes	122,288	98,354	0	0	122,288	98,354
Franchise Fees	53,417	45,540	0	0	53,417	45,540
Grants and Entitlements	362,598	425,591	0	0	362,598	425,591
Investment Earnings	79,577	45,139	0	0	79,577	45,139
Bond Anticipation Note Proceeds	145,000	175,000	0	0	145,000	175,000
Loan Proceeds	0	894,435	0	5,529,530	0	6,423,965
Miscellaneous	31,914	92,567	122,761	19,542	154,675	112,109
<i>Total General Receipts</i>	2,626,682	3,544,543	122,761	5,549,072	2,749,443	9,093,615
Total Receipts	4,288,571	5,439,020	2,764,243	8,184,145	7,052,814	13,623,165
Disbursements:						
General Government	1,299,133	1,321,410	0	0	1,299,133	1,321,410
General Government - Court	496,489	462,725	0	0	496,489	462,725
Security of Persons and Property:						
Police	897,881	829,230	0	0	897,881	829,230
Fire	184,479	246,879	0	0	184,479	246,879
Public Health Services	131,495	147,823	0	0	131,495	147,823
Community Environment	93,162	89,499	0	0	93,162	89,499
Transportation	515,530	553,279	0	0	515,530	553,279
Leisure Time Activities	468,921	542,249	0	0	468,921	542,249
Debt Service:						
Principal Retirement	286,455	311,338	0	0	286,455	311,338
Interest and Fiscal Charges	126,358	92,011	0	0	126,358	92,011
Water	0	0	2,397,941	2,177,390	2,397,941	2,177,390
Sewer	0	0	2,245,204	2,672,250	2,245,204	2,672,250
<i>Total Disbursements</i>	4,499,903	4,596,443	4,643,145	4,849,640	9,143,048	9,446,083
<i>Increase (Decrease) in Net Assets</i>	(211,332)	842,577	(1,878,902)	3,334,505	(2,090,234)	4,177,082
<i>Net Assets Beginning of Year</i>	2,642,418	1,799,841	4,769,162	1,434,657	7,411,580	3,234,498
<i>Net Assets End of Year</i>	<u>\$2,431,086</u>	<u>\$2,642,418</u>	<u>\$2,890,260</u>	<u>\$4,769,162</u>	<u>\$5,321,346</u>	<u>\$7,411,580</u>

Village of the City of Gallipolis, Ohio
Management's Discussion and Analysis
For the Years Ended December 31, 2005 and 2006
Unaudited

Governmental Activities

For 2006, program receipts represent only \$1,661,889, or 38.7 percent of total receipts and are primarily comprised 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. The amount of program revenues decreased substantially from the prior year, related almost entirely to the decreases in funding of capital grants and contributions from the Ohio Public Works Commission and the Appalachian Regional Commission received in previous years for the repairs and maintenance of Village streets and parks.

General receipts represent \$2,626,682, or 61.3 percent of the Village's total receipts, and of this amount, \$2,194,486, or 83.5 percent are derived from local taxes and State shared revenues. The Village's total general revenue receipts also decreased in 2006. This decrease is, again, primarily due to the Village's energy conservation improvement project, which in the previous year included \$894,435 in loan proceeds. 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 52.9 percent of the governmental expenses in 2006, a slight decrease from the prior year. During 2006, expenses for these operations amounted to \$1,299,133, \$897,881, and \$184,479, 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 department to enable the department to widen the scope of its activity. The fire department and its 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 more than 11.5 percent of governmental expenses. This is a decrease of \$37,749 from 2005. This is due to continued cost reductions in the Village's street and state highway related special revenue funds.

Court operations, public health services, park operations, community environment, and debt service account for the remaining 35.6 percent of governmental expenditures in 2006.

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 2006, program expenses exceeded program receipts by \$2,001,663 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 \$12.76 and \$9.08, respectively, for the first 1,000 gallons. Water and sewer rates for two surrounding communities are \$9.10 and \$14.00 for water and \$9.61 and \$14.75 for sewer. Water and sewer rates last increased 3 percent each on April 1, 2006.

Village of the City of Gallipolis, Ohio
Management's Discussion and Analysis
For the Years Ended December 31, 2005 and 2006
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 entitles 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)

Governmental Activities				
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2006	2006	2005	2005
General Government	\$1,299,133	\$855,934	\$1,321,410	\$772,818
General Government - Court	496,489	(99,131)	462,725	(83,354)
Security of Persons and Property:				
Police	897,881	816,289	829,230	748,101
Fire	184,479	59,581	246,879	50,459
Public Health Services	131,495	82,092	147,823	92,257
Community Environment	93,162	77,159	89,499	81,518
Transportation	515,530	260,584	553,279	284,096
Leisure Time Activities	468,921	372,693	542,249	352,722
Debt Service:				
Principal Retirement	286,455	286,455	311,338	311,338
Interest and Fiscal Charges	126,358	126,358	92,011	92,011
<i>Total</i>	\$4,499,903	\$2,838,014	\$4,596,443	\$2,701,966

The dependence upon property and income tax receipts is apparent as over 63 percent of governmental activities are supported through these and other governmental receipts.

THE VILLAGE'S FUNDS

The Village's governmental funds are accounted for using the cash basis of accounting. In 2006, governmental funds had total revenues of \$4,143,571 and expenditures of \$4,499,903.

The fund balance of the General Fund decreased \$373,264 from 2005. At December 31, 2006, the General Fund's unreserved fund balance of \$1,047,657 represented 36.6 percent of current year expenditures. Most of this balance remains in the Village's treasury.

The fund balance of the Court Computerization Special Revenue Fund decreased \$20,859 from 2005. At December 31, 2006, the Court Computerization Fund's unreserved fund balance of \$304,153 represented 511 percent of current year expenditures.

The net asset balance of the Water Enterprise Fund decreased \$886,960 in 2006. The Water Fund's unrestricted net assets balance of \$1,502,274 represented 81.6 percent of 2006 expenditures.

The net asset balance of the Sewer Enterprise Fund decreased \$991,942 in 2006. The Sewer Fund's unrestricted net assets balance of \$1,387,986 represented 70.1 percent of 2006 expenditures.

Village of the City of Gallipolis, Ohio
Management's Discussion and Analysis
For the Years Ended December 31, 2005 and 2006
Unaudited

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 2006, the Village amended the General Fund budget several times. Income tax revenue estimates were increased by \$97,494, intergovernmental receipt estimates increased by \$153,029, and appropriations increased overall by \$233,984. The revisions to estimated revenues and appropriations were due to very conservative original estimates. All recommendations for a budget change came from the Village Auditor to the Finance Committee of Council for review before going to the whole Council for Ordinance enactment on the change. The allocation of appropriations within the departments and objects within a fund may be modified during the year by the Village Auditor without an ordinance of Council. 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.

DEBT ADMINISTRATION

The Village had two bond issues and various loans payable at December 31, 2006, totaling \$8,382,292 of which \$864,410 is due within one year. Of the Village's outstanding bonds, one is for vehicles purchased for the Village's fire department and a street sweeper, and one is for the construction of the Village's fire department building. In addition, the Village has an Ohio Water Development Authority loan outstanding for improvements to the water plant, and an Ohio Public Works Commission loan for the construction of a lift station. Other loans outstanding were for the purchase of two fire trucks, the purchase of Davis Hall, paving projects, and Village-wide energy conservation improvements.

Village of the City of Gallipolis, Ohio
Management's Discussion and Analysis
For the Years Ended December 31, 2005 and 2006
Unaudited

(Table 4)

Outstanding Debt at December 31, 2006

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Bond Anticipation Notes:						
2002 Fire Truck	\$290,914	\$325,220	\$0	\$0	\$290,914	\$325,220
2002 Pumper/Tanker Truck	180,816	193,844	0	0	180,816	193,844
2005 Municipal Building	0	175,000	0	0	0	175,000
2006 Municipal Building	145,000	0	0	0	145,000	0
<i>Total Bond Anticipation Notes</i>	616,730	694,064	0	0	616,730	694,064
Loans:						
1981 OWDA	0	0	0	419,967	0	419,967
1995 OPWC	0	0	32,406	41,665	32,406	41,665
2003 State Infrastructure					0	0
Bank	765,819	791,760	0	0	765,819	791,760
2005 Ameresco	893,865	894,435	5,402,419	5,529,530	6,296,284	6,423,965
<i>Total Loans</i>	1,659,684	1,686,195	5,434,825	5,991,162	7,094,509	7,677,357
2002 General Obligation						
Vehicle Bonds	116,121	142,350	0	0	116,121	142,350
2002 General Obligation Fire Station Bonds	554,932	566,312	0	0	554,932	566,312
<i>Totals</i>	\$2,947,467	\$3,088,921	\$5,434,825	\$5,991,162	\$8,382,292	\$9,080,083

The general obligation bonds and the fire and pumper/tanker truck bond anticipation notes are being paid by the Fire Levy Fund from property tax receipts. The State Infrastructure Bank loan and the municipal building bond anticipation notes are being paid by the General Fund from income tax receipts. The OWDA loan is being paid from charges for services in the Water Fund. The OPWC loan is being paid from charges for services in the Sewer Fund. The Ameresco loan is being paid from charges for services in the Water and Sewer Fund and property and income tax receipts in the General and Fire Levy Funds, respectively.

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, 518 Second Avenue, Gallipolis, Ohio 45631.

Village of the City of Gallipolis, Ohio

Statement of Net Assets - Cash Basis

December 31, 2006

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$2,383,438	\$1,339,355	\$3,722,793
Cash and Cash Equivalents with Escrow Agents	47,648	1,550,905	1,598,553
<i>Total Assets</i>	<u>\$2,431,086</u>	<u>\$2,890,260</u>	<u>\$5,321,346</u>
Net Assets			
Restricted for:			
Street	\$200,873	\$0	\$200,873
Police	20,611	0	20,611
Fire	123,250	0	123,250
Cemetery	35,264	0	35,264
Recreation	63,279	0	63,279
Court	793,727	0	793,727
Capital Improvements	8,840	0	8,840
Perpetual Care	25,442	0	25,442
Unclaimed Monies	27,659	0	27,659
Other Purposes	26,799	0	26,799
Unrestricted	<u>1,105,342</u>	<u>2,890,260</u>	<u>3,995,602</u>
<i>Total Net Assets</i>	<u>\$2,431,086</u>	<u>\$2,890,260</u>	<u>\$5,321,346</u>

See accompanying notes to the basic financial statements

Village of the City of Gallipolis, Ohio
Statement of Activities
For the Year Ended December 31, 2006

	Disbursements	Program Receipts			Net (Disbursements) Receipts and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
General Government	\$1,299,133	\$364,608	\$0	\$78,591	(\$855,934)	\$0	(\$855,934)
General Government - Court	496,489	595,620	0	0	99,131	0	99,131
Security of Persons and Property:							
Police	897,881	40,081	41,511	0	(816,289)	0	(816,289)
Fire	184,479	101,523	23,375	0	(59,581)	0	(59,581)
Public Health Services	131,495	46,403	3,000	0	(82,092)	0	(82,092)
Community Environment	93,162	16,003	0	0	(77,159)	0	(77,159)
Transportation	515,530	30,038	224,908	0	(260,584)	0	(260,584)
Leisure Time Activities	468,921	89,486	6,742	0	(372,693)	0	(372,693)
Debt Service:							
Principal Retirement	286,455	0	0	0	(286,455)	0	(286,455)
Interest and Fiscal Charges	126,358	0	0	0	(126,358)	0	(126,358)
<i>Total Governmental Activities</i>	<u>4,499,903</u>	<u>1,283,762</u>	<u>299,536</u>	<u>78,591</u>	<u>(2,838,014)</u>	<u>0</u>	<u>(2,838,014)</u>
Business-Type Activities							
Water	2,397,941	1,498,539	0	0	0	(899,402)	(899,402)
Sewer	2,245,204	1,142,943	0	0	0	(1,102,261)	(1,102,261)
<i>Total Business-Type Activities</i>	<u>4,643,145</u>	<u>2,641,482</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(2,001,663)</u>	<u>(2,001,663)</u>
<i>Total</i>	<u>\$9,143,048</u>	<u>\$3,925,244</u>	<u>\$299,536</u>	<u>\$78,591</u>	<u>(2,838,014)</u>	<u>(2,001,663)</u>	<u>(4,839,677)</u>
General Receipts							
Property Taxes Levied for:							
General Purposes							
				189,208	0	189,208	
				129,580	0	129,580	
Income Taxes Levied for General Purposes							
				1,513,100	0	1,513,100	
Payments in Lieu of Taxes							
				122,288	0	122,288	
Franchise Fees							
				53,417	0	53,417	
Grants and Entitlements not Restricted to Specific Programs							
				362,598	0	362,598	
Investment Earnings							
				79,577	0	79,577	
Bond Anticipation Note Proceeds							
				145,000	0	145,000	
Miscellaneous							
				31,914	122,761	154,675	
<i>Total General Receipts</i>				<u>2,626,682</u>	<u>122,761</u>	<u>2,749,443</u>	
Change in Net Assets				(211,332)	(1,878,902)	(2,090,234)	
<i>Net Assets Beginning of Year</i>				<u>2,642,418</u>	<u>4,769,162</u>	<u>7,411,580</u>	
<i>Net Assets End of Year</i>				<u>\$2,431,086</u>	<u>\$2,890,260</u>	<u>\$5,321,346</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, 2006

	General	Court Computerization	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$1,076,596	\$313,531	\$965,652	\$2,355,779
Cash and Cash Equivalents with Escrow Agents	28,746	0	18,902	47,648
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	27,659	0	0	27,659
<i>Total Assets</i>	<u>\$1,133,001</u>	<u>\$313,531</u>	<u>\$984,554</u>	<u>\$2,431,086</u>
Fund Balances				
Reserved for Encumbrances	\$57,685	\$9,378	\$75,770	\$142,833
Reserved for Unclaimed Monies	27,659	0	0	27,659
Unreserved:				
Undesignated, Reported in:				
General Fund	1,047,657	0	0	1,047,657
Special Revenue Funds	0	304,153	633,376	937,529
Capital Projects Funds	0	0	249,966	249,966
Permanent Fund	0	0	25,442	25,442
<i>Total Fund Balances</i>	<u>\$1,133,001</u>	<u>\$313,531</u>	<u>\$984,554</u>	<u>\$2,431,086</u>

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, 2006

	General	Court Computerization	Other Governmental Funds	Total Governmental Funds
Receipts				
Property and Other Local Taxes	\$189,208	\$0	\$129,580	\$318,788
Municipal Income Taxes	1,513,100	0	0	1,513,100
Permissive Motor Vehicle License Taxes	0	0	18,254	18,254
Payment in Lieu of Taxes	0	0	122,288	122,288
Charges for Services	340,818	0	315,807	656,625
Fines, Licenses, and Permits	318,690	24,055	228,241	570,986
Franchise Fees	53,417	0	0	53,417
Intergovernmental	362,598	0	354,062	716,660
Investment Earnings	73,556	14,588	37,291	125,435
Donations and Contributions	857	0	16,104	16,961
Miscellaneous	27,197	0	3,860	31,057
<i>Total Receipts</i>	<u>2,879,441</u>	<u>38,643</u>	<u>1,225,487</u>	<u>4,143,571</u>
Disbursements				
Current:				
General Government	1,128,246	0	169,487	1,297,733
General Government - Court	280,129	59,502	82,233	421,864
Security of Persons and Property:				
Police	847,866	0	50,015	897,881
Fire	149,501	0	34,978	184,479
Public Health Services	5,010	0	126,485	131,495
Community Environment	92,906	0	256	93,162
Transportation	82,812	0	362,267	445,079
Leisure Time Activities	251,200	0	149,264	400,464
Capital Outlay	0	0	214,933	214,933
Debt Service:				
Principal Retirement	0	0	286,455	286,455
Interest and Fiscal Charges	27,300	0	99,058	126,358
<i>Total Disbursements</i>	<u>2,864,970</u>	<u>59,502</u>	<u>1,575,431</u>	<u>4,499,903</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>14,471</u>	<u>(20,859)</u>	<u>(349,944)</u>	<u>(356,332)</u>
Other Financing Sources (Uses)				
Bond Anticipation Note Proceeds	0	0	145,000	145,000
Advances In	0	0	98,741	98,741
Advances Out	(98,741)	0	0	(98,741)
Transfers In	0	0	474,736	474,736
Transfers Out	(288,994)	0	(185,742)	(474,736)
Total Other Financing Sources (Uses)	<u>(387,735)</u>	<u>0</u>	<u>532,735</u>	<u>145,000</u>
<i>Net Change in Fund Balances</i>	<u>(373,264)</u>	<u>(20,859)</u>	<u>182,791</u>	<u>(211,332)</u>
<i>Fund Balances Beginning of Year</i>	<u>1,506,265</u>	<u>334,390</u>	<u>801,763</u>	<u>2,642,418</u>
<i>Fund Balances End of Year</i>	<u>\$1,133,001</u>	<u>\$313,531</u>	<u>\$984,554</u>	<u>\$2,431,086</u>

See accompanying notes to the basic financial statements

Village of the City of Gallipolis, Ohio
Statement of Receipts, Disbursement, and Changes
in Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Year Ended December 31, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Revenues				
Property and Other Taxes	\$172,483	\$189,208	\$189,208	\$0
Municipal Income Taxes	1,394,679	1,492,173	1,513,100	20,927
Charges for Services	286,153	340,818	340,818	0
Fines, Licenses, and Permits	322,878	318,674	318,690	16
Franchise Fees	42,031	53,417	53,417	0
Intergovernmental	209,569	362,598	362,598	0
Investment Earnings	37,255	59,954	73,556	13,602
Donations	1,433	857	857	0
Miscellaneous	21,971	27,197	27,197	0
<i>Total Revenues</i>	2,488,452	2,844,896	2,879,441	34,545
Expenditures				
Current:				
General Government	1,090,435	1,199,580	1,155,910	43,670
General Government - Court	302,411	302,411	280,129	22,282
Security of Persons and Property:				
Police	814,591	884,629	857,602	27,027
Fire	143,204	170,179	153,716	16,463
Public Health Services	22,200	28,200	19,710	8,490
Community Environment	93,438	94,614	92,910	1,704
Transportation	66,320	66,320	82,812	(16,492)
Leisure Time Activities	138,315	158,965	252,566	(93,601)
Debt Service:				
Interest and Fiscal Charges	0	0	27,300	(27,300)
<i>Total Expenditures</i>	2,670,914	2,904,898	2,922,655	(17,757)
<i>Excess of Revenues Under Expenditures</i>	(182,462)	(60,002)	(43,214)	16,788
Other Financing Sources (Uses)				
Advances In	46,104	0	0	0
Advances Out	0	(75,441)	(98,741)	(23,300)
Transfers In	1,461	1,461	0	(1,461)
Transfers Out	(306,683)	(336,318)	(288,994)	47,324
<i>Total Other Financing Sources (Uses)</i>	(259,118)	(410,298)	(387,735)	22,563
<i>Net Change in Fund Balance</i>	(441,580)	(470,300)	(430,949)	39,351
<i>Fund Balance Beginning of Year</i>	1,415,906	1,415,906	1,415,906	0
Prior Year Encumbrances Appropriated	90,359	90,359	90,359	0
<i>Fund Balance End of Year</i>	\$1,064,685	\$1,035,965	\$1,075,316	\$39,351

See accompanying notes to the basic financial statements

Village of the City of Gallipolis, Ohio
*Statement of Receipts, Disbursement, and Changes
in Fund Balance - Budget and Actual (Budget Basis)*
Court Computerization Special Revenue Fund
For the Year Ended December 31, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Over (Under)
Revenues				
Fines, Licenses, and Permits	\$57,000	\$24,055	\$24,055	\$0
Investment Earnings	11,000	14,588	14,588	0
<i>Total Revenues</i>	68,000	38,643	38,643	0
Expenditures				
Current:				
General Government - Court	60,994	75,994	68,880	7,114
<i>Excess of Revenues Over (Under) Expenditures</i>	7,006	(37,351)	(30,237)	7,114
<i>Fund Balance Beginning of Year</i>	334,390	334,390	334,390	0
<i>Fund Balance End of Year</i>	<u>\$341,396</u>	<u>\$297,039</u>	<u>\$304,153</u>	<u>\$7,114</u>

See accompanying notes to the basic financial statements

Village of the City of Gallipolis, Ohio
Statement of Fund Net Assets - Cash Basis
Enterprise Funds
December 31, 2006

	Water Fund	Sewer Fund	Total Enterprise Funds
Assets			
Current Assets:			
Equity in Pooled Cash and Cash Equivalents	\$737,869	\$601,486	\$1,339,355
Cash with Escrow Agents	764,405	786,500	1,550,905
<i>Total Assets</i>	<i>\$1,502,274</i>	<i>\$1,387,986</i>	<i>\$2,890,260</i>
Net Assets			
Unrestricted	\$1,502,274	\$1,387,986	\$2,890,260

See accompanying notes to the basic financial statements

Village of the City of Gallipolis, Ohio
*Statement of Receipts, Disbursements,
and Changes in Fund Net Assets - Cash Basis*
Enterprise Funds
For the Year Ended December 31, 2006

	Water Fund	Sewer Fund	Total Enterprise Funds
Operating Receipts			
Charges for Services	\$1,435,443	\$1,083,406	\$2,518,849
Other Operating Receipts	12,442	110,319	122,761
<i>Total Operating Receipts</i>	<u>1,447,885</u>	<u>1,193,725</u>	<u>2,641,610</u>
Operating Disbursements			
Salaries and Benefits	575,961	623,242	1,199,203
Transportation	3,007	3,931	6,938
Contractual Services	248,463	313,687	562,150
Materials and Supplies	122,885	82,144	205,029
Capital Outlay	890,563	957,453	1,848,016
<i>Total Operating Disbursements</i>	<u>1,840,879</u>	<u>1,980,457</u>	<u>3,821,336</u>
<i>Operating Loss</i>	<u>(392,994)</u>	<u>(786,732)</u>	<u>(1,179,726)</u>
Non Operating Receipts (Disbursements)			
Investment Earnings	55,136	59,537	114,673
Customer Deposits Received	7,960	0	7,960
Customer Deposits Returned	(4,587)	0	(4,587)
Debt Service Principal	(421,512)	(134,825)	(556,337)
Interest and Fiscal Charges	(130,963)	(129,922)	(260,885)
<i>Total Non Operating Receipts (Disbursements)</i>	<u>(493,966)</u>	<u>(205,210)</u>	<u>(699,176)</u>
<i>Change in Net Assets</i>	(886,960)	(991,942)	(1,878,902)
<i>Net Assets Beginning of Year</i>	<u>2,389,234</u>	<u>2,379,928</u>	<u>4,769,162</u>
<i>Net Assets End of Year</i>	<u>\$1,502,274</u>	<u>\$1,387,986</u>	<u>\$2,890,260</u>

See accompanying notes to the basic financial statements

Village of the City of Gallipolis, Ohio

Statement of Cash Flows - Cash Basis

Enterprise Funds

For the Year Ended December 31, 2006

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total Enterprise Funds</u>
Increase (Decrease) in Cash and Cash Equivalents			
Cash Flows from Operating Activities			
Cash Received from Customers	\$1,435,443	\$1,083,406	\$2,518,849
Cash Payments for Employee Services and Benefits	(578,968)	(627,173)	(1,206,141)
Cash Payments to Suppliers for Goods and Services	(1,261,911)	(1,353,284)	(2,615,195)
Customer Deposits Received	7,960	0	7,960
Customer Deposits Returned	(4,587)	0	(4,587)
Other Operating Receipts	<u>12,442</u>	<u>110,319</u>	<u>122,761</u>
<i>Net Cash Used for Operating Activities</i>	<u>(389,621)</u>	<u>(786,732)</u>	<u>(1,176,353)</u>
Cash Flows from Capital and Related Financing Activities:			
Principal Paid on Debt	(421,512)	(134,825)	(556,337)
Interest Paid on Debt	<u>(130,963)</u>	<u>(129,922)</u>	<u>(260,885)</u>
<i>Net Cash Used for Capital and Related Financing Activities</i>	<u>(552,475)</u>	<u>(264,747)</u>	<u>(817,222)</u>
Cash Flows from Investing Activities			
Investment Earnings	<u>55,136</u>	<u>59,537</u>	<u>114,673</u>
<i>Net Decrease in Cash and Cash Equivalents</i>	(886,960)	(991,942)	(1,878,902)
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>2,389,234</u>	<u>2,379,928</u>	<u>4,769,162</u>
<i>Cash and Cash Equivalents End of Year</i>	<u><u>\$1,502,274</u></u>	<u><u>\$1,387,986</u></u>	<u><u>\$2,890,260</u></u>
Reconciliation of Operating Loss to Net Cash Used for Operating Activities			
Operating Loss	(\$392,994)	(\$786,732)	(\$1,179,726)
Change in Customer Deposits	<u>3,373</u>	<u>0</u>	<u>3,373</u>
<i>Net Cash Used for Operating Activities</i>	<u><u>(\$389,621)</u></u>	<u><u>(\$786,732)</u></u>	<u><u>(\$1,176,353)</u></u>

See accompanying notes to the basic financial statements

Village of the City of Gallipolis, Ohio

Statement of Net Assets - Cash Basis

December 31, 2005

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$2,325,345	\$1,324,583	\$3,649,928
Cash and Cash Equivalents with Escrow Agents	317,073	3,444,579	3,761,652
<i>Total Assets</i>	<u>\$2,642,418</u>	<u>\$4,769,162</u>	<u>\$7,411,580</u>
Net Assets			
Restricted for:			
Street	\$133,053	\$0	\$133,053
Police	17,712	0	17,712
Fire	102,759	0	102,759
Cemetery	54,862	0	54,862
Recreation	54,264	0	54,264
Court	726,768	0	726,768
Capital Improvements	2,100	0	2,100
Perpetual Care	22,442	0	22,442
Unclaimed Monies	22,830	0	22,830
Other Purposes	22,193	0	22,193
Unrestricted	1,483,435	4,769,162	6,252,597
<i>Total Net Assets</i>	<u>\$2,642,418</u>	<u>\$4,769,162</u>	<u>\$7,411,580</u>

See accompanying notes to the basic financial statements

Village of the City of Gallipolis, Ohio
Statement of Activities
For the Year Ended December 31, 2005

	Disbursements	Program Receipts			Net (Disbursements) Receipts and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
General Government	\$1,321,410	\$377,310	\$0	\$171,282	(\$772,818)	\$0	(\$772,818)
General Government - Court	462,725	546,079	0	0	83,354	0	83,354
Security of Persons and Property:							
Police	829,230	45,723	35,406	0	(748,101)	0	(748,101)
Fire	246,879	105,485	90,935	0	(50,459)	0	(50,459)
Public Health Services	147,823	55,566	0	0	(92,257)	0	(92,257)
Community Environment	89,499	7,981	0	0	(81,518)	0	(81,518)
Transportation	553,279	28,630	209,956	30,597	(284,096)	0	(284,096)
Leisure Time Activities	542,249	83,016	6,511	100,000	(352,722)	0	(352,722)
Debt Service:							
Principal Retirement	311,338	0	0	0	(311,338)	0	(311,338)
Interest and Fiscal Charges	92,011	0	0	0	(92,011)	0	(92,011)
<i>Total Governmental Activities</i>	<u>4,596,443</u>	<u>1,249,790</u>	<u>342,808</u>	<u>301,879</u>	<u>(2,701,966)</u>	<u>0</u>	<u>(2,701,966)</u>
Business-Type Activities							
Water	2,177,390	1,485,406	0	0	0	(691,984)	(691,984)
Sewer	2,672,250	1,146,167	3,500	0	0	(1,522,583)	(1,522,583)
<i>Total Business-Type Activities</i>	<u>4,849,640</u>	<u>2,631,573</u>	<u>3,500</u>	<u>0</u>	<u>0</u>	<u>(2,214,567)</u>	<u>(2,214,567)</u>
<i>Total</i>	<u>\$9,446,083</u>	<u>\$3,881,363</u>	<u>\$346,308</u>	<u>\$301,879</u>	<u>(2,701,966)</u>	<u>(2,214,567)</u>	<u>(4,916,533)</u>
General Receipts							
Property Taxes Levied for:							
General Purposes					173,045	0	173,045
Fire					137,068	0	137,068
Income Taxes Levied for General Purposes					1,457,804	0	1,457,804
Payments in Lieu of Taxes					98,354	0	98,354
Franchise Fees					45,540	0	45,540
Grants and Entitlements not Restricted to Specific Programs					425,591	0	425,591
Investment Earnings					45,139	0	45,139
Bond Anticipation Note Proceeds					175,000	0	175,000
Loan Proceeds					894,435	5,529,530	6,423,965
Miscellaneous					92,567	19,542	112,109
<i>Total General Receipts</i>					<u>3,544,543</u>	<u>5,549,072</u>	<u>9,093,615</u>
Change in Net Assets					842,577	3,334,505	4,177,082
<i>Net Assets Beginning of Year</i>					<u>1,799,841</u>	<u>1,434,657</u>	<u>3,234,498</u>
<i>Net Assets End of Year</i>					<u>\$2,642,418</u>	<u>\$4,769,162</u>	<u>\$7,411,580</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, 2005

	General	Court Computerization	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$1,208,190	\$334,390	\$759,935	\$2,302,515
Cash and Cash Equivalents with Escrow Agents	275,245	0	41,828	317,073
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	22,830	0	0	22,830
<i>Total Assets</i>	<u>\$1,506,265</u>	<u>\$334,390</u>	<u>\$801,763</u>	<u>\$2,642,418</u>
Fund Balances				
Reserved for Encumbrances	\$90,359	\$0	\$31,092	\$121,451
Reserved for Unclaimed Monies	22,830	0	0	22,830
Unreserved:				
Undesignated, Reported in:				
General Fund	1,393,076	0	0	1,393,076
Special Revenue Funds	0	334,390	562,755	897,145
Capital Projects Funds	0	0	185,474	185,474
Permanent Fund	0	0	22,442	22,442
<i>Total Fund Balances</i>	<u>\$1,506,265</u>	<u>\$334,390</u>	<u>\$801,763</u>	<u>\$2,642,418</u>

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, 2005

	General	Court Computerization	Other Governmental Funds	Total Governmental Funds
Receipts				
Property and Other Local Taxes	\$173,045	\$0	\$137,068	\$310,113
Municipal Income Taxes	1,457,804	0	0	1,457,804
Permissive Motor Vehicle License Taxes	0	0	16,382	16,382
Payment in Lieu of Taxes	0	0	98,354	98,354
Charges for Services	346,551	0	319,094	665,645
Fines, Licenses, and Permits	354,233	53,410	133,676	541,319
Franchise Fees	45,540	0	0	45,540
Intergovernmental	425,591	0	633,416	1,059,007
Investment Earnings	43,473	11,156	22,199	76,828
Donations	1,300	0	6,026	7,326
Miscellaneous	24,334	0	66,933	91,267
<i>Total Receipts</i>	<u>2,871,871</u>	<u>64,566</u>	<u>1,433,148</u>	<u>4,369,585</u>
Disbursements				
Current:				
General Government	959,043	0	172,042	1,131,085
General Government - Court	267,387	65,381	75,542	408,310
Security of Persons and Property:				
Police	790,761	0	38,469	829,230
Fire	106,778	0	140,101	246,879
Public Health Services	7,851	0	139,972	147,823
Community Environment	89,499	0	0	89,499
Transportation	226,327	0	264,510	490,837
Leisure Time Activities	371,222	0	133,637	504,859
Capital Outlay	0	0	344,572	344,572
Debt Service:				
Principal Retirement	0	0	311,338	311,338
Interest and Fiscal Charges	0	0	92,011	92,011
<i>Total Disbursements</i>	<u>2,818,868</u>	<u>65,381</u>	<u>1,712,194</u>	<u>4,596,443</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>53,003</u>	<u>(815)</u>	<u>(279,046)</u>	<u>(226,858)</u>
Other Financing Sources (Uses)				
Bond Anticipation Note Proceeds	0	0	175,000	175,000
Loan Proceeds	832,949	0	61,486	894,435
Advances In	225,686	0	62,850	288,536
Advances Out	(62,850)	0	(225,686)	(288,536)
Transfers In	0	0	441,281	441,281
Transfers Out	(224,332)	0	(216,949)	(441,281)
<i>Total Other Financing Sources (Uses)</i>	<u>771,453</u>	<u>0</u>	<u>297,982</u>	<u>1,069,435</u>
<i>Net Change in Fund Balances</i>	824,456	(815)	18,936	842,577
<i>Fund Balances Beginning of Year</i>	<u>681,809</u>	<u>335,205</u>	<u>782,827</u>	<u>1,799,841</u>
<i>Fund Balances End of Year</i>	<u>\$1,506,265</u>	<u>\$334,390</u>	<u>\$801,763</u>	<u>\$2,642,418</u>

See accompanying notes to the basic financial statements

Village of the City of Gallipolis, Ohio
*Statement of Receipts, Disbursement, and Changes
in Fund Balance - Budget and Actual (Budget Basis)*
General Fund
For the Year Ended December 31, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Revenues				
Property and Other Local Taxes	\$153,777	\$173,045	\$173,045	\$0
Municipal Income Taxes	1,300,133	1,304,392	1,457,804	153,412
Charges for Services	278,676	346,551	346,551	0
Fines, Licenses, and Permits	340,238	321,854	354,233	32,379
Franchise Fees	32,327	45,540	45,540	0
Intergovernmental	140,901	425,591	425,591	0
Investment Earnings	20,273	38,140	43,473	5,333
Donations	441	1,300	1,300	0
Miscellaneous	19,480	24,334	24,334	0
<i>Total Revenues</i>	2,286,246	2,680,747	2,871,871	191,124
Expenditures				
Current:				
General Government	959,870	993,361	999,323	(5,962)
General Government - Court	291,000	292,004	267,687	24,317
Security of Persons and Property:				
Police	820,966	820,400	819,070	1,330
Fire	118,071	121,665	113,565	8,100
Public Health Services	5,000	22,500	19,051	3,449
Community Environment	91,193	91,633	90,329	1,304
Transportation	70,044	72,044	232,691	(160,647)
Leisure Time Activities	92,374	103,905	381,186	(277,281)
<i>Total Expenditures</i>	2,448,518	2,517,512	2,922,902	(405,390)
<i>Excess of Revenues Over (Under) Expenditures</i>	(162,272)	163,235	(51,031)	(214,266)
Other Financing Sources (Uses)				
Loan Proceeds	0	0	832,949	832,949
Advances In	312,104	225,686	225,686	0
Advances Out	0	(16,746)	(62,850)	(46,104)
Transfers In	3,676	3,676	0	(3,676)
Transfers Out	(386,717)	(270,436)	(224,332)	46,104
<i>Total Other Financing Sources (Uses)</i>	(70,937)	(57,820)	771,453	829,273
<i>Net Change in Fund Balance</i>	(233,209)	105,415	720,422	615,007
<i>Fund Balance Beginning of Year</i>	681,809	681,809	681,809	0
Prior Year Encumbrances Appropriated	13,675	13,675	13,675	0
<i>Fund Balance End of Year</i>	\$462,275	\$800,899	\$1,415,906	\$615,007

See accompanying notes to the basic financial statements

Village of the City of Gallipolis, Ohio
*Statement of Receipts, Disbursement, and Changes
in Fund Balance - Budget and Actual (Budget Basis)*
Court Computerization Special Revenue Fund
For the Year Ended December 31, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Fines, Licenses, and Permits	\$70,000	\$53,410	\$53,410	\$0
Investment Earnings	10,000	11,156	11,156	0
<i>Total Revenues</i>	80,000	64,566	64,566	0
Expenditures				
Current:				
General Government - Court	55,517	74,667	65,381	9,286
<i>Excess of Revenues Over (Under) Expenditures</i>	24,483	(10,101)	(815)	9,286
<i>Fund Balance Beginning of Year</i>	335,205	335,205	335,205	0
<i>Fund Balance End of Year</i>	<u>\$359,688</u>	<u>\$325,104</u>	<u>\$334,390</u>	<u>\$9,286</u>

See accompanying notes to the basic financial statements

Village of the City of Gallipolis, Ohio
Statement of Fund Net Assets - Cash Basis
Enterprise Funds
December 31, 2005

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total Enterprise Funds</u>
Assets			
Current Assets:			
Equity in Pooled Cash and Cash Equivalents	\$703,565	\$621,018	\$1,324,583
Cash with Escrow Agents	<u>1,685,669</u>	<u>1,758,910</u>	<u>3,444,579</u>
<i>Total Assets</i>	<u><u>\$2,389,234</u></u>	<u><u>\$2,379,928</u></u>	<u><u>\$4,769,162</u></u>
Net Assets			
Unrestricted	<u><u>\$2,389,234</u></u>	<u><u>\$2,379,928</u></u>	<u><u>\$4,769,162</u></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 Assets - Cash Basis*
Enterprise Funds
For the Year Ended December 31, 2005

	Water Fund	Sewer Fund	Total Enterprise Funds
Operating Receipts			
Charges for Services	\$1,444,179	\$1,107,934	\$2,552,113
Other Operating Receipts	5,728	13,814	19,542
<i>Total Operating Receipts</i>	<u>1,449,907</u>	<u>1,121,748</u>	<u>2,571,655</u>
Operating Disbursements			
Salaries and Benefits	511,973	565,211	1,077,184
Transportation	2,141	3,224	5,365
Contractual Services	266,312	290,360	556,672
Materials and Supplies	139,013	76,340	215,353
Capital Outlay	814,826	1,037,461	1,852,287
<i>Total Operating Disbursements</i>	<u>1,734,265</u>	<u>1,972,596</u>	<u>3,706,861</u>
<i>Operating Loss</i>	<u>(284,358)</u>	<u>(850,848)</u>	<u>(1,135,206)</u>
Non Operating Receipts (Disbursements)			
Investment Earnings	29,339	38,233	67,572
Grants Received	0	3,500	3,500
Loan Proceeds	2,424,023	3,105,507	5,529,530
Customer Deposits Received	11,888	0	11,888
Customer Deposits Returned	(4,028)	0	(4,028)
Debt Service Principal	(379,331)	(659,259)	(1,038,590)
Interest and Fiscal Charges	(59,766)	(40,395)	(100,161)
<i>Total Non Operating Receipts (Disbursements)</i>	<u>2,022,125</u>	<u>2,447,586</u>	<u>4,469,711</u>
<i>Change in Net Assets</i>	1,737,767	1,596,738	3,334,505
<i>Net Assets Beginning of Year</i>	<u>651,467</u>	<u>783,190</u>	<u>1,434,657</u>
<i>Net Assets End of Year</i>	<u>\$2,389,234</u>	<u>\$2,379,928</u>	<u>\$4,769,162</u>

See accompanying notes to the basic financial statements

Village of the City of Gallipolis, Ohio

Statement of Cash Flows - Cash Basis

Enterprise Funds

For the Year Ended December 31, 2005

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total Enterprise Funds</u>
Increase (Decrease) in Cash and Cash Equivalents			
Cash Flows from Operating Activities			
Cash Received from Customers	\$1,444,179	\$1,107,934	\$2,552,113
Cash Payments for Employee Services and Benefits	(514,114)	(568,435)	(1,082,549)
Cash Payments to Suppliers for Goods and Services	(1,220,151)	(1,404,161)	(2,624,312)
Customer Deposits Received	11,888	0	11,888
Customer Deposits Returned	(4,028)	0	(4,028)
Other Operating Receipts	5,728	13,814	19,542
	<u>(276,498)</u>	<u>(850,848)</u>	<u>(1,127,346)</u>
<i>Net Cash Used for Operating Activities</i>			
Cash Flows from Noncapital Financing Activities			
Grants Received	0	3,500	3,500
	<u>0</u>	<u>3,500</u>	<u>3,500</u>
Cash Flows from Capital and Related Financing Activities:			
Loan Proceeds	2,424,023	3,105,507	5,529,530
Principal Paid on Debt	(379,331)	(659,259)	(1,038,590)
Interest Paid on Debt	(59,766)	(40,395)	(100,161)
	<u>1,984,926</u>	<u>2,405,853</u>	<u>4,390,779</u>
<i>Net Cash Provided by Capital and Related Financing Activities</i>			
Cash Flows from Investing Activities			
Investment Earnings	29,339	38,233	67,572
	<u>29,339</u>	<u>38,233</u>	<u>67,572</u>
<i>Net Increase in Cash and Cash Equivalents</i>	1,737,767	1,596,738	3,334,505
<i>Cash and Cash Equivalents Beginning of Year</i>	651,467	783,190	1,434,657
	<u>651,467</u>	<u>783,190</u>	<u>1,434,657</u>
<i>Cash and Cash Equivalents End of Year</i>	<u>\$2,389,234</u>	<u>\$2,379,928</u>	<u>\$4,769,162</u>
Reconciliation of Operating Loss to Net Cash Used for Operating Activities			
Operating Loss	(\$284,358)	(\$850,848)	(\$1,135,206)
Change in Customer Deposits	7,860	0	7,860
	<u>7,860</u>	<u>0</u>	<u>7,860</u>
<i>Net Cash Used for Operating Activities</i>	<u>(\$276,498)</u>	<u>(\$850,848)</u>	<u>(\$1,127,346)</u>

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, 2005 and 2006

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. 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 that 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 business-type activities or its enterprise 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 assets 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, 2005 and 2006

Government-wide Financial Statements The statement of net assets 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 assets 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 two categories of funds utilized by the Village: governmental and proprietary.

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. 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 all financial resources except those required to be accounted for in another fund.

Court Computerization Special Revenue Fund The Court Computerization Special Revenue Fund is used to account for the accumulation of monies from court fees that may be used for municipal court computerization per ORC Chapter 133.

The other governmental funds of the Village account for grants and other resources whose use is restricted 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. 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.

Village of the City of Gallipolis, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2005 and 2006

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.

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.

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. 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 by the Village for capital improvement projects undertaken by the Village is presented as "cash and cash equivalents with escrow agents" since they are kept separate from the Village treasury.

Village of the City of Gallipolis, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2005 and 2006

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 2006 amounted to \$73,556, which includes \$51,738 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.

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. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure are reported at inception.

M. Net Assets

Net assets are 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.

Village of the City of Gallipolis, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2005 and 2006

Net assets restricted for other purposes primarily include activities involving street and state highway maintenance and repairs, police and fire protection, activities of the Village's court, cemetery operations, and the Village's parks and pool. 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. The government-wide statement of net assets reports \$1,325,744 of restricted net assets, of which none is restricted by enabling legislation.

N. Fund Balance Reserves

The Village reserves any portion of fund balances which is not available for appropriation or which is legally segregated for specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for unclaimed monies and encumbrances. By law, the Village may not appropriate unclaimed monies until the money has remained unclaimed for five years.

O. Interfund Transactions

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

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.

Note 3 - Change in Basis of Accounting

For the year ended December 31, 2004, the Village reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's office. Beginning with the year ended December 31, 2005, the Village has implemented the cash basis of accounting described in note 2. The fund financial statements now present each major fund in a separate column with non-major funds aggregated and presented in a single column, rather than a column for each fund type.

Note 4 – Compliance

The following accounts had expenditures plus encumbrances in excess of appropriations contrary to Section 5705.41(B), Revised Code:

	Excess
General Fund	
Transportation	\$16,492
Leisure Time Activities	93,601
Debt Service:	
Interest and Fiscal Charges	27,300

The Village will more closely monitor budgetary procedures pertaining to violations of this nature in the future.

Village of the City of Gallipolis, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2005 and 2006

Note 5 - 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 a reservation of fund balance (cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$57,685 for the General Fund and \$9,378 for the Court Computerization Special Revenue Fund.

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.

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;

Village of the City of Gallipolis, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2005 and 2006

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 year end, \$5,323,597 of the Village's bank balance of \$5,423,597 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 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.

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 property, public utility property, and tangible personal property located in the Village. Real property tax receipts received in 2006 represent the collection of 2005 taxes. Real property taxes received in 2006 were levied after October 1, 2006, on the assessed values as of January 1, 2006, the lien date. Assessed values for real property taxes were established at thirty-five percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder paid by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2006 represent the collection of 2005 taxes. Public utility real and tangible personal property taxes received in 2006 became a lien December 31, 2005, were levied after October 1, 2005, and are collected in 2006 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Village of the City of Gallipolis, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2005 and 2006

Tangible personal property tax receipts received in 2006 (other than public utility property) represents the collection of 2006 taxes. Tangible personal property taxes received in 2006 were levied after October 1, 2005, on the true value as of December 31, 2005. In prior years, tangible personal property was assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory for 2006 is 18.75 percent. This will be reduced to 12.5 percent for 2007, 6.25 percent for 2008 and zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all Village operations for the year ended December 31, 2006, was \$3.90 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2006 property tax receipts were based are as follows:

Real Property:	
Residential	\$35,651,250
Agricultural	124,780
Commercial/Industrial/Mineral	29,095,140
Tangible Personal Property:	
Business	16,815,850
Public Utility	3,450,760
Total Assessed Value	\$85,137,780

Note 9 – Interfund Receivables/Payables

A. Transfers

During 2006, the following transfers were made:

	Transfer from		Total
	Major Funds		
	General	Other Nonmajor	
Transfer to	Fund	Governmental	
Other Nonmajor Governmental	\$288,994	\$185,742	\$474,736

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.

Village of the City of Gallipolis, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2005 and 2006

B. Interfund Balances

Interfund Balances at December 31, 2006, arise from the provision of cash flow resources from the General Fund until the receipt of grant monies by the other governmental funds.

	Interfund Receivables	Interfund Payables
General Fund	\$125,905	\$0
Other Governmental Funds:		
Assistance to Firefighters	0	38,741
Appalachian Regional Commission	0	22,337
City Park Improvements	0	4,827
Ohio Division of Natural Resources	0	44,328
Ohio Valley Regional Development Commission	0	15,672
Total Other Governmental Funds	0	125,905
Total All Funds	\$125,905	\$125,905

Note 10- Risk Management

During 2006, the Village participated with other local governments in Ohio to participate in the Public Entity Pool of Ohio (PEP), a public entity insurance purchasing pool. Each individual governmental entity enters into an agreement with the PEP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The Village pays this annual premium to the PEP (See Note 16).

Village of the City of Gallipolis, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2005 and 2006

The types and amounts of coverage provided by the Public Entity Pool of Ohio are as follows:

Property	Deductible	Limits of Coverage
Real Property	\$2,500	\$22,743,462
Boiler and Machinery	500	702,756
Personal Property	2,500	625,000
General Liability:		
Per Occurrence	0	3,000,000
Aggregatge Limit	0	3,000,000
Employers Liability - Stop Gap:		
Per Accident	0	3,000,000
Per Disease Each Employee	0	3,000,000
Per Disease Policy Limit	0	3,000,000
Employee Benefits Liability:		
Per Claim	1,000	1,000,000
Aggregate Limit	1,000	1,000,000
Law Enforcement:		
Each Occurrence	5,000	3,000,000
Aggregatge Limit	5,000	3,000,000
Medical Professional		
Each Occurrence	0	3,000,000
Aggregatge Limit	0	3,000,000
Wrongful Acts	5,000	3,000,000
Vehicles:		
Bodily Injury:		
Per Person	1,000	3,000,000
Per Accident	1,000	3,000,000
Property Damage		
Uninsured Motorist:		
Per Person	1,000	1,000,000
Per Accident	1,000	1,000,000

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has been so significant reduction in insurance coverage from 2005.

Village of the City of Gallipolis, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2005 and 2006

Note 11 - Defined Benefit Pension Plans

A. Ohio Public Employees Retirement System

The Village participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6701 or (800) 222-7377.

For the year ended December 31, 2006, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 9 percent of their annual covered salaries. Members participating in the traditional pension plan who were in law enforcement contributed 10.1 percent of their annual covered salary; members in public safety contributed 9 percent. The Village's contribution rate for pension benefits for 2006 was 13.7 percent, except for those plan members in law enforcement or public safety. For those classifications, the Village's pension contributions were 4 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Village's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2006, 2005, and 2004, were \$256,692, \$234,128, and \$218,062, respectively; 77.86 percent has been contributed for 2006 and 100 percent for 2005 and 2004. The full amount has been contributed for 2006, 2005, and 2004. No Village employees participated in the member-directed plan.

B. Ohio Police and Fire Pension Fund

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 the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations, while the Village is required to contribute 11.75 percent for police officers and 16.25 percent for firefighters. Contributions are authorized by State statute. The Village's contributions to the Fund for years ended December 31, 2006, 2005, and 2004, were \$85,675, \$84,219, and \$88,126 respectively; 75.63 percent has been contributed for 2006 and 100 percent for 2005 and 2004.

Village of the City of Gallipolis, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2005 and 2006

Note 12 - Postemployment Benefits

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2006 local government employer contribution rate was 13.7 percent of covered payroll; 4 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between 0.50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 1 to 6 percent annually for the next eight years and 4 percent annually after eight years.

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

The number of active contributing participants in the traditional and combined plans was 376,109. Actual Village contributions for 2006 which were used to fund postemployment benefits were \$58,009. The actual contribution and the actuarially required contribution amounts are the same. The actuarial value of OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) was \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs. Member and employer contribution rates increased as of January 1, 2006, which will allow additional funds to be allocated to the health care plan.

B. Ohio Police and Fire Pension Fund

The Ohio Police and Fire Pension Fund (OP&F) provides postretirement health care coverage to 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. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school full-time or on a 2/3 basis.

Village of the City of Gallipolis, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2005 and 2006

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in *GASB Statement No. 12*. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the funds of OP&F shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution rate is 19.5 percent of covered payroll and the total firefighter employer contribution rate is 24 percent of covered payroll, of which 7.75 percent of covered payroll was applied to the postemployment health care program during 2006 and 2005. In addition, since July 1, 1992, most retirees and survivors have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The Village's actual contributions for 2006 that were used to fund postemployment health care benefits were \$21,037 for police and \$12,443 for firefighters. The OP&F's total health care expense for the year ended December 31, 2005, (the latest information available) was \$108,039,449, which was net of member contributions of \$55,271,881. The number of OP&F participants eligible to receive health care benefits as of December 31, 2005, was 13,922 for police and 10,537 for firefighters

Note 13 - Contingencies

A. Grants

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed cost. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

B. Litigation

The Village is party to legal proceedings. The Village is of the opinion that ultimate disposition of claims will not have a material effect, if any, on the financial condition of the Village.

Village of the City of Gallipolis, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2005 and 2006

Note 14 - Long – Term Obligations

Changes in long-term obligations of the Village during 2006 were as follows:

	Principal Outstanding 12/31/05	Additions	Deductions	Principal Outstanding 12/31/06	Amounts Due in One Year
Business-Type Activities:					
1981 OWDA Water Improvements Loan - 10.71%	\$419,967	\$0	\$419,967	\$0	\$0
1993 OPWC Lift Station Loan - 0%	41,665	0	9,259	32,406	9,259
2005 Ameresco Energy Conservation Improvements Loan - 3.89%	5,529,530	0	127,111	5,402,419	526,212
Total Business-Type Activities	\$5,991,162	\$0	\$556,337	\$5,434,825	\$535,471
Governmental Activities:					
2000 Evans Road State Infrastructure Bank Loan - 3.00%	\$791,761	\$0	\$25,942	\$765,819	\$26,792
2005 Ameresco Energy Conservation Improvements Loan - 3.89%	894,435	0	570	893,865	69,384
Total Loans	1,686,196	0	26,512	1,659,684	96,176
Bond Anticipation Notes:					
2002 Fire Truck - 4.68%	325,220	0	34,306	290,914	35,954
2002 Pumper/Tanker - 4.48%	193,844	0	13,028	180,816	13,626
2005 Municipal Building - 3.00%	175,000	0	175,000	0	0
2006 Municipal Building - 3.79%	0	145,000	0	145,000	145,000
Total Bond Anticipation Notes	694,064	145,000	222,334	616,730	194,580
General Obligation Bonds:					
2002 Vehicles - 4.10%	142,350	0	26,229	116,121	27,305
2002 Fire Station - 4.99	566,312	0	11,380	554,932	11,954
Total General Obligation Bonds	708,662	0	37,609	671,053	39,259
Total Governmental Activities	\$3,088,922	\$145,000	\$286,455	\$2,947,467	\$330,015

The OWDA Water Improvements Loan, originally issued on November 13, 2003, in the amount of \$3,999,999, was used to finance the water treatment plant expansion and improvements. The loan activity is reflected in the Water Enterprise Fund which received the proceeds and will repay the debt. The loan was retired during 2006.

Village of the City of Gallipolis, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2005 and 2006

Principal and interest requirements to retire the OPWC Lift Station Loan outstanding at December 31, 2006, are as follows:

Year Ended December 31,	Principal
2007	\$9,259
2008	9,259
2009	9,259
2010	4,629
	\$32,406

The OPWC Lift Station Loan, originally issued January 15, 1993, in the amount of \$138,884, was used to finance the construction of the Spruce Street Lift Station project. The loan activity is reflected in the Sewer Enterprise Fund which received the proceeds and will repay the debt from Sewer Enterprise Fund Revenue.

Principal and interest requirements to retire the Ameresco Energy Conservation Improvement Loan outstanding at December 31, 2006, are as follows:

Year Ended December 31,	Governmental		Business-Type		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$69,384	\$33,771	\$526,212	\$202,563	\$595,596	\$236,334
2008	73,265	31,016	553,506	181,699	626,771	212,715
2009	95,205	27,935	578,095	361,472	673,300	389,407
2010	106,340	23,953	607,002	136,907	713,342	160,860
2011	111,786	19,769	638,091	112,846	749,877	132,615
2012 - 2015	437,885	32,793	2,499,513	187,190	2,937,398	219,983
	\$893,865	\$169,237	\$5,402,419	\$1,182,677	\$6,296,284	\$1,351,914

The Ameresco Energy Conservation Improvements Loan, originally issued 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 Special Revenue Fund, and the Water and Sewer Enterprise Funds.

Village of the City of Gallipolis, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2005 and 2006

Principal and interest requirements to retire the Fire Truck and the Pumper/Tanker Truck Bond Anticipation Notes outstanding at December 31, 2006 are as follows:

Year Ended December 31,	Principal	Interest	Total
2007	\$49,580	\$21,436	\$71,016
2008	51,877	19,139	71,016
2009	54,393	16,623	71,016
2010	56,974	14,042	71,016
2011	59,677	11,339	71,016
2012 - 2016	186,537	20,547	207,084
2017	12,692	335	13,027
	<u>\$471,730</u>	<u>\$103,461</u>	<u>\$575,191</u>

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 Special Revenue Fund.

Principal and interest requirements to retire the Vehicle General Obligation Bonds outstanding at December 31, 2006, are as follows:

Year Ended December 31,	Principal	Interest	Total
2007	\$27,305	\$4,761	\$32,066
2008	28,424	3,642	32,066
2009	29,589	2,477	32,066
2010	30,803	1,263	32,066
	<u>\$116,121</u>	<u>\$12,143</u>	<u>\$128,264</u>

The Vehicle General Obligation Bonds, originally issued on August 27, 2002, in the amount of \$215,000, represents amounts issued for the purchase of a brush truck and a street sweeper, will be retired from income tax receipts in the General Fund and property tax receipts in the Fire Levy Special Revenue Fund.

Principal and interest requirements to retire the Fire Station General Obligation Bonds outstanding at December 31, 2006, are as follows:

Village of the City of Gallipolis, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2005 and 2006

Year Ended December 31,	Principal	Interest	Total
2007	\$11,954	\$27,544	\$39,498
2008	12,558	26,940	39,498
2009	13,193	26,306	39,499
2010	13,860	25,639	39,499
2011	14,560	24,939	39,499
2012 - 2016	84,605	112,887	197,492
2017 - 2021	108,248	89,243	197,491
2022 - 2026	138,499	58,992	197,491
2027 - 2031	157,455	20,287	177,742
	<u>\$554,932</u>	<u>\$412,777</u>	<u>\$967,709</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 Special Revenue Fund.

Principal and interest requirements to retire the State Infrastructure Bank Loan outstanding at December 31, 2006, are as follows:

Year Ended December 31,	Principal	Interest	Total
2007	\$26,792	\$24,673	\$51,465
2008	27,670	23,795	51,465
2009	28,576	22,889	51,465
2010	29,513	21,952	51,465
2011	30,480	20,985	51,465
2012 - 2016	168,048	89,277	257,325
2017 - 2021	197,442	59,883	257,325
2022 - 2026	231,977	25,348	257,325
2027	25,321	411	25,732
	<u>\$765,819</u>	<u>\$289,213</u>	<u>\$1,055,032</u>

The State Infrastructure Bank Loan, originally issued 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 Special Revenue Fund.

The Municipal Building bond anticipation notes were issued on November 10, 2006, for \$145,000 which mature on November 9, 2007. 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.

The Village's overall legal debt margin was \$5,991,999, with an un-voted debt margin of \$851,378 at December 31, 2006.

Village of the City of Gallipolis, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2005 and 2006

Note 15 – Contractual Commitments

At December 31, 2006, the Village's only contractual commitments were for Phase II of the Ameresco Energy Conservation Improvement Program. Phase I, valued at \$4,528,192, was completed on December 31, 2006. Phase I improvements included improvements to the Village's lighting systems, swimming pool, waster water treatment facility, water treatment facility, utility meter replacement, riverbank installation improvements, and the water and waste water collection system improvements. Phase II, began in December 2006, and valued at \$1,471,808, will improve inflow and infiltration in the Village's water and sewer systems.

Note 16 - Insurance Purchasing Pool

Public Entity Pool of Ohio

The Village is a member of the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio political subdivisions. PEP provides property and casualty coverage for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member political subdivisions pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage PEP retains up to \$250,000 per claim, including loss adjustment expenses. PEP makes an annual contribution to APEEP. APEEP reinsures casualty claims exceeding \$250,000, up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. If losses exhaust PEP's net assets, APEEP covers PEP's retained casualty risk up to \$10,000,000 per year, subject to a per-claim limit of \$2,000,000. Local political subdivisions can elect additional coverage, up to a limit of \$12,000,000 from the General Reinsurance Corporation.

Property Coverage PEP retains property risks, including automobile physical damage, up to \$100,000 in any one occurrence. APEEP reinsures property losses that are greater than \$100,000 up to \$250,000 per occurrence. The Travelers Indemnity Company reinsures losses exceeding \$250,000 up to \$600,000,000 per occurrence.

The aforementioned casualty and property reinsurance agreements do not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective local government.

Financial Position PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and net assets at December 31, 2005 and 2004, (the latest information available):

Village of the City of Gallipolis, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2005 and 2006

	2005	2004
Casualty Coverage:		
Assets	\$29,719,675	\$27,437,169
Liabilities	(15,994,168)	(13,880,038)
Net Assets	<u>\$13,725,507</u>	<u>\$13,557,131</u>
Property Coverage:		
Assets	\$4,443,332	\$3,648,272
Liabilities	(1,068,246)	(540,073)
Net Assets	<u>\$3,375,086</u>	<u>\$3,108,199</u>

Perry & Associates
Certified Public Accountants, A.C.

PARKERSBURG
1035 Murdoch Avenue
Parkersburg, WV 26101
(304) 422-2203

MARIETTA
428 Second Street
Marietta, OH 45750
(740) 373-0056

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

August 27, 2007

Village of the City of Gallipolis
Gallia County
518 Second Avenue
Gallipolis, Ohio 45631

We have audited the accompanying financial statements of the governmental activities, 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 year ended December 31, 2006 and 2005, which collectively comprise the Village's basic financial statements and have issued our report thereon dated August 27, 2007, wherein we noted the Village uses a comprehensive accounting basis other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

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

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, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters that we must report under *Government Auditing Standards*.

In a separate letter to the Village's management dated August 27, 2007, we reported certain matters related to noncompliance we deemed immaterial.

This report is intended solely for the information and use of management and Village Commissioners and is not intended to be, and should not be used by anyone other than these specified parties.

Respectfully Submitted,

Perry and Associates
Certified Public Accountants, A.C.



Mary Taylor, CPA
Auditor of State

THE VILLAGE OF THE CITY OF GALLIPOLIS

GALLIA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 8, 2007**