



Mary Taylor, CPA
Auditor of State

**GALLIPOLIS TOWNSHIP
GALLIA COUNTY**

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GALLIPOLIS TOWNSHIP
GALLIA COUNTY

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Gallipolis Township
Gallia County
1069 Second Avenue
Gallipolis, Ohio 45631

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities and each major fund of the Gallipolis Township, Gallia County, Ohio (the Township), as of and for the years ended December 31, 2008 and 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township'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. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinions.

As discussed in Note 2, the accompanying financial statements and notes follow the modified 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 modified cash financial position of the governmental activities and each major fund of Gallipolis Township, Gallia County, Ohio, as of December 31, 2008 and 2007, and the respective changes in modified cash financial position and the respective budgetary comparison for the General, Motor Vehicle License Tax, and Gasoline Tax Funds thereof for the years then ended in conformity with the basis of accounting Note 2 describes.

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In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2009, on our consideration of the Township'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 Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Mary Taylor, CPA
Auditor of State

October 15, 2009

Gallipolis Township, Gallia County
Management's Discussion and Analysis
For the Years Ended December 31, 2008 and 2007

This discussion and analysis of the Gallipolis Township's (the Township) financial performance provides an overall review of the Township's financial activities for the years ended December 31, 2008 and 2007, within the limitations of the Township's modified cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Township's financial performance.

Highlights

Key highlights for 2008 and 2007 are as follows:

- Net assets of governmental activities decreased \$25,834, or 10.4 percent, in 2008. Net assets of governmental activities increased \$39,226, or 14.3 percent, in 2007, a significant change from 2006. This was due to decreased capital outlay expenditures and increased intergovernmental receipts in 2007.
- The Township's general receipts are primarily property taxes and grants and entitlements not restricted to specific programs. These receipts represent respectively 59.7 and 27.1 percent of percent of the total cash received for governmental activities during 2008 and 50.3 and 44.1 percent of the total cash received for governmental activities during 2007.

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 Township's modified cash basis of accounting.

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the Township as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Township 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 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.

Basis of Accounting

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

Gallipolis Township, Gallia County
Management's Discussion and Analysis
For the Years Ended December 31, 2008 and 2007

As a result of using the modified 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 Township as a Whole

The statement of net assets and the statement of activities reflect how the Township did financially during 2008 and 2007, within the limitations of cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the Township at years' end. The statement of activities compares cash disbursements with program receipts for each governmental program. 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 draws from the Township's general receipts.

These statements report the Township's cash position and the changes in cash position. Keeping in mind the limitations of the modified cash basis of accounting, you can think of these changes as one way to measure the Township's financial health. Over time, increases or decreases in the Township's cash position represents one indicator of whether the Township's financial health is improving or deteriorating. When evaluating the Township's financial condition, you should also consider other non-financial factors as well, such as the condition of the Township's property tax base, the condition of the Township's capital assets and infrastructure, the extent of the Township'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 gasoline taxes.

In the statement of net assets and the statement of activities, the Township has only governmental type activities:

Governmental Activities: All of the Township's basic services are reported here. State grants and property and gasoline taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Reporting the Township's Most Significant Funds

Fund financial statements provide detailed information about the Township's major funds – not the Township as a whole. The Township 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 Township are all governmental.

Governmental Funds - All of the Township's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Township'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 Township's programs. The Township'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 Township's major governmental funds are the General Fund, Motor Vehicle License Tax Fund, and the Gasoline Tax Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

Gallipolis Township, Gallia County
 Management's Discussion and Analysis
 For the Years Ended December 31, 2008 and 2007

The Township as a Whole

Table 1 provides a summary of the Township's net assets for 2008 compared to 2007 on a modified cash basis:

(Table 1)
Net Assets

	Governmental Activities	
	2008	2007
Assets		
Cash and Cash Equivalents	\$ 247,598	\$ 273,432
Total Assets	\$ 247,598	\$ 273,432
 Net Assets		
Restricted for:		
Other Purposes	\$ 98,632	\$ 120,673
Unrestricted	148,966	152,759
Total Net Assets	\$ 247,598	\$ 273,432

As mentioned previously, net assets of governmental activities decreased \$25,834 or 10.4 percent during 2008. The primary reasons contributing to the decreases in cash balances are as follows:

- Special revenue expenditures increased from 2007 to 2008 primarily through the purchase of capital assets in the Special Revenue Funds.

Gallipolis Township, Gallia County
Management's Discussion and Analysis
For the Years Ended December 31, 2008 and 2007

Table 2 reflects the changes in net assets in 2008 and 2007. Listed below is a comparative analysis of government-wide data.

(Table 2)
Changes in Net Assets

	<u>Governmental Activities 2008</u>	<u>Governmental Activities 2007</u>
Receipts:		
Program Receipts:		
Operating Grants and Contributions	\$ 88,307	\$ 97,425
Total Program Receipts	<u>88,307</u>	<u>97,425</u>
General Receipts:		
Property and Other Local Taxes	42,744	38,954
Cable Franchise Fees	3,045	3,031
Grants and Entitlements Not Restricted to Specific Programs	19,412	34,207
Earnings on Investments	1,117	1,048
Miscellaneous	5,274	195
Total General Receipts	<u>71,592</u>	<u>77,435</u>
Total Receipts	<u>159,899</u>	<u>174,860</u>
 Disbursements:		
General Government	52,623	53,604
Public Safety	17,000	17,000
Public Works	82,711	62,607
Capital Outlay	33,399	2,423
Total Disbursements	<u>185,733</u>	<u>135,634</u>
 Increase (Decrease) in Net Assets	 (25,834)	 39,226
 Net Assets, January 1	 <u>273,432</u>	 <u>234,206</u>
Net Assets, December 31	<u>\$ 247,598</u>	<u>\$ 273,432</u>

Program receipts represent 55.2 percent of total receipts in 2008 and 55.7 percent of total receipts in 2007 and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gasoline tax money.

General receipts represent 44.8 percent of the Township's total receipts for 2008 and 44.3 percent of the Township's total receipts for 2007, and of this amount, 59.7 percent are local taxes in 2008 and 50.3 percent are local taxes in 2007. Grants and entitlements not restricted to Specific Programs represents 27.1 percent of general receipts for 2008 and 44.2 percent of general receipts for 2007. Other receipts are insignificant and somewhat unpredictable revenue sources.

Disbursements for General Government represent the overhead costs of running the Township and the support services provided for the other Township activities. These include the costs of the Board of Trustees and Fiscal Officer, as well as internal services such as payroll and purchasing.

Gallipolis Township, Gallia County
Management's Discussion and Analysis
For the Years Ended December 31, 2008 and 2007

Governmental Activities

If you look at the Statement of Activities on pages 10 and 17, you will see that the first column lists the major services provided by the Township. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for general government and public works. These disbursements represent respectively 28 and 45 percent of all disbursements for governmental activities in 2008 and 40 and 46 percent of all disbursements for governmental activities in 2007. The next column of the Statement entitled Program Receipts identifies amounts paid by people who are directly charged for the service and grants received by the Township that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "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
	2008	2008	2007	2007
General Government	\$ 52,623	\$ 52,623	\$ 53,604	\$ 53,604
Public Safety	17,000	17,000	17,000	17,000
Public Works	82,711	19,836	62,607	(31,188)
Capital Outlay	33,399	7,967	2,423	(1,207)
Total Expenses	\$ 185,733	\$ 97,426	\$ 135,634	\$ 38,209

The Township's Funds

Total governmental funds had receipts and other sources of \$159,899 and disbursements and other uses of \$185,733 in 2008 and receipts and other sources of \$174,861 and disbursements and other uses of \$135,635 in 2007. The greatest change within governmental funds in 2008 occurred within the Motor Vehicle License Tax Fund. The fund balance of the Motor Vehicle License Tax Fund decreased \$20,836 as the result of increased capital expenditures in 2008. The greatest change within governmental funds in 2007 occurred within the Gasoline Tax Fund. The fund balance of the Gasoline Tax Fund increased \$28,944 as the result of increased intergovernmental receipts and decreased capital outlay expenditures.

General Fund Budgeting Highlights

The Township'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 2008, there was no change between original and final budgeted receipts. During 2007, final budgeted receipts were only \$4,000 higher than original budgeted receipts. The difference between final budgeted receipts and actual receipts was not significant in 2008. Final actual receipts were above final budgeted receipts in 2007 due to unexpected growth in intergovernmental receipts.

Gallipolis Township, Gallia County
Management's Discussion and Analysis
For the Years Ended December 31, 2008 and 2007

Original and final disbursements for 2008 were budgeted at \$86,575 while actual disbursements were \$69,623. Original and final disbursements for 2007 were budgeted at \$86,475 while actual disbursements were \$70,605.

Capital Assets Administration

The Township maintains an inventory listing to keep track of its capital assets and supplies. The Township does not currently keep track of infrastructure.

Current Financial Related Activities

Gallipolis Township is strong financially. As the preceding information shows, the Township heavily depends on its taxpayers. However, financially the future is not without challenges.

Contacting the Township Fiscal Officer

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the Township's finances and to reflect the Township's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to James R. Allen, Fiscal Officer, Gallipolis Township; 1069 Second Avenue, Gallipolis Ohio 45631.

**GALLIPOLIS TOWNSHIP
GALLIA COUNTY**

*Statement of Net Assets- Modified Cash Basis
December 31, 2008*

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 247,598</u>
Total Assets	<u><u>\$ 247,598</u></u>
Net Assets	
Restricted for :	
Other Purposes	\$ 98,632
Unrestricted	<u>148,966</u>
Total Net Assets	<u><u>\$ 247,598</u></u>

See accompanying notes to the basic financial statements

**GALLIPOLIS TOWNSHIP
GALLIA COUNTY**

*Statement of Activities- Modified Cash Basis
For the Year Ended December 31, 2008*

	Cash Disbursements	Program Cash Receipts Operating Grants and Contributions	Net (Disbursements) Receipts and Changes in Net Assets Governmental Activities
Governmental Activities			
General Government	\$ 52,623		(\$ 52,623)
Public Safety	17,000		(17,000)
Public Works	82,711	\$ 62,875	(19,836)
Capital Outlay	33,399	25,432	(7,967)
<i>Total Governmental Activities</i>	\$ 185,733	\$ 88,307	(97,426)

General Receipts

Property Taxes	42,744
Grants and Entitlements not Restricted to Specific Programs	19,412
Cable Franchise Fees	3,045
Earnings On Investments	1,117
Miscellaneous	5,274
<i>Total General Receipts</i>	71,592
Change in Net Assets	(25,834)
<i>Net Assets Beginning of the Year</i>	273,432
<i>Net Assets End of Year</i>	\$ 247,598

See accompanying notes to the basic financial statements

GALLIPOLIS TOWNSHIP
GALLIA COUNTY

Statement of Modified Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2008

	<u>General</u>	<u>Motor Vehicle License Tax</u>	<u>Gasoline Tax</u>	<u>Total Governmental Funds</u>
Assets				
Equity in Pooled Cash and Cash Equivalents	\$ 148,966	\$ 11,049	\$ 87,583	\$ 247,598
<i>Total Assets</i>	<u>\$ 148,966</u>	<u>\$ 11,049</u>	<u>\$ 87,583</u>	<u>\$ 247,598</u>
Fund Balances				
Unreserved:				
Undesignated (Deficit), Reported in:				
General Fund	\$ 148,966			\$ 148,966
Special Revenue Funds		\$ 11,049	\$ 87,583	98,632
<i>Total Fund Balances</i>	<u>\$ 148,966</u>	<u>\$ 11,049</u>	<u>\$ 87,583</u>	<u>\$ 247,598</u>

See accompanying notes to the basic financial statements

**GALLIPOLIS TOWNSHIP
GALLIA COUNTY**

*Statement of Cash Receipts, Disbursements, and Changes in Modified Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2008*

	General	Motor Vehicle License Tax	Gasoline Tax	Total Governmental Funds
Receipts:				
Property and Other Local Taxes	\$ 42,744			\$ 42,744
Licenses, Permits, and Fees	3,045			3,045
Intergovernmental	19,412	\$ 3,694	\$ 84,613	107,719
Earnings on Investments	609	97	411	1,117
Miscellaneous	20		5,254	5,274
<i>Total Receipts</i>	<u>65,830</u>	<u>3,791</u>	<u>90,278</u>	<u>159,899</u>
Disbursements:				
Current:				
General Government	52,623			52,623
Public Safety	17,000			17,000
Public Works			82,711	82,711
Capital Outlay		24,627	8,772	33,399
<i>Total Disbursements</i>	<u>69,623</u>	<u>24,627</u>	<u>91,483</u>	<u>185,733</u>
<i>Net Change in Fund Balances</i>	(3,793)	(20,836)	(1,205)	(25,834)
<i>Fund Balances Beginning of Year</i>	<u>152,759</u>	<u>31,885</u>	<u>88,788</u>	<u>273,432</u>
<i>Fund Balances End of Year</i>	<u>\$ 148,966</u>	<u>\$ 11,049</u>	<u>\$ 87,583</u>	<u>\$ 247,598</u>

See accompanying notes to the basic financial statements

GALLIPOLIS TOWNSHIP
GALLIA COUNTY

Statement of Receipts, Disbursements, and Changes in Fund Balance
Budget and Actual (Budget Basis)
General Fund
For the Year Ended December 31, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$ 39,035	\$ 39,035	\$ 42,744	\$ 3,709
Licenses, Permits, and Fees			3,045	3,045
Intergovernmental	23,196	23,196	19,412	(3,784)
Earnings on Investments	600	600	609	9
Miscellaneous			20	20
<i>Total Receipts</i>	<u>62,831</u>	<u>62,831</u>	<u>65,830</u>	<u>2,999</u>
Disbursements				
Current:				
General Government	66,575	66,575	52,623	13,952
Public Safety	20,000	20,000	17,000	3,000
<i>Total Disbursements</i>	<u>86,575</u>	<u>86,575</u>	<u>69,623</u>	<u>16,952</u>
<i>Excess Receipts Over/(Under) Disbursements</i>	<u>23,744</u>	<u>(23,744)</u>	<u>(3,793)</u>	<u>(13,953)</u>
Other Financing Sources/(Uses)				
Other Financing Sources	150	150		(150)
<i>Total Other Financing Sources(Uses)</i>	<u>150</u>	<u>150</u>		<u>(150)</u>
<i>Net Change in Fund Balance</i>	(23,594)	(23,594)	(3,793)	19,801
<i>Fund Balance Beginning of Year</i>	<u>152,759</u>	<u>152,759</u>	<u>152,759</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$ 129,165</u>	<u>\$ 129,165</u>	<u>\$ 148,966</u>	<u>\$ 19,801</u>

See accompanying notes to the basic financial statements

**GALLIPOLIS TOWNSHIP
GALLIA COUNTY**

*Statement of Receipts, Disbursements, and Changes in Fund Balance
Budget and Actual (Budget Basis)
Motor Vehicle License Tax Fund
For the Year Ended December 31, 2008*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Receipts				
Intergovernmental	\$ 3,500	\$ 3,500	\$ 3,694	\$ 194
Earnings on Investments	300	300	97	(203)
<i>Total Receipts</i>	<u>3,800</u>	<u>3,800</u>	<u>3,791</u>	<u>(9)</u>
Disbursements				
Current:				
Public Works	800	800		800
Capital Outlay	25,000	25,000	24,627	373
<i>Total Disbursements</i>	<u>25,800</u>	<u>25,800</u>	<u>24,627</u>	<u>1,173</u>
Net Change in Fund Balance	(22,000)	(22,000)	(20,836)	1,164
<i>Fund Balance Beginning of Year</i>	<u>31,885</u>	<u>31,885</u>	<u>31,885</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$ 9,885</u>	<u>\$ 9,885</u>	<u>\$ 11,049</u>	<u>\$ 1,164</u>

See accompanying notes to the basic financial statements

**GALLIPOLIS TOWNSHIP
GALLIA COUNTY**

*Statement of Receipts, Disbursements, and Changes in Fund Balance
Budget and Actual (Budget Basis)
Gasoline Tax Fund
For the Year Ended December 31, 2008*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Intergovernmental	\$ 59,800	\$ 59,800	\$ 84,613	\$ 24,813
Earnings on Investments	200	200	411	211
Miscellaneous			5,254	5,254
<i>Total Receipts</i>	<u>60,000</u>	<u>60,000</u>	<u>90,278</u>	<u>30,278</u>
Disbursements				
Current:				
Public Works	95,450	96,450	82,711	13,739
Capital Outlay	20,000	19,000	8,772	10,228
<i>Total Disbursements</i>	<u>115,450</u>	<u>115,450</u>	<u>91,483</u>	<u>23,967</u>
<i>Net Change in Fund Balance</i>	(55,450)	(55,450)	(1,205)	54,245
<i>Fund Balance Beginning of Year</i>	<u>88,788</u>	<u>88,788</u>	<u>88,788</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$ 33,338</u></u>	<u><u>\$ 33,338</u></u>	<u><u>\$ 87,583</u></u>	<u><u>\$ 54,245</u></u>

See accompanying notes to the basic financial statements

**GALLIPOLIS TOWNSHIP
GALLIA COUNTY**

*Statement of Net Assets- Modified Cash Basis
December 31, 2007*

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 273,432</u>
<i>Total Assets</i>	<u><u>\$ 273,432</u></u>
Net Assets	
Restricted for :	
Other Purposes	\$ 120,673
Unrestricted	<u>152,759</u>
<i>Total Net Assets</i>	<u><u>\$ 273,432</u></u>

See accompanying notes to the basic financial statements

**GALLIPOLIS TOWNSHIP
GALLIA COUNTY**

*Statement of Modified Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2007*

	<u>General</u>	<u>Motor Vehicle License Tax</u>	<u>Gasoline Tax</u>	<u>Total Governmental Funds</u>
Assets				
Equity in Pooled Cash and Cash Equivalents	\$ 152,759	\$ 31,885	\$ 88,788	\$ 273,432
<i>Total Assets</i>	<u>\$ 152,759</u>	<u>\$ 31,885</u>	<u>\$ 88,788</u>	<u>\$ 273,432</u>
Fund Balances				
Unreserved:				
Undesignated (Deficit), Reported in:				
General Fund	\$ 152,759			\$ 152,759
Special Revenue Funds		\$ 31,885	\$ 88,788	120,673
<i>Total Fund Balances</i>	<u>\$ 152,759</u>	<u>\$ 31,885</u>	<u>\$ 88,788</u>	<u>\$ 273,432</u>

See accompanying notes to the basic financial statements

GALLIPOLIS TOWNSHIP
GALLIA COUNTY

Statement of Cash Receipts, Disbursements, and Changes in Modified Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2007

	General	Motor Vehicle License Tax	Gasoline Tax	Total Governmental Funds
Receipts				
Property and Other Local Taxes	\$ 38,954			\$ 38,954
Licenses, Permits, and Fees	3,031			3,031
Intergovernmental	34,207	\$ 3,786	\$ 93,639	131,632
Earnings on Investments	591	123	335	1,049
Miscellaneous	195			195
<i>Total Receipts</i>	<u>76,978</u>	<u>3,909</u>	<u>93,974</u>	<u>174,861</u>
Disbursements				
Current:				
General Government	53,605			53,605
Public Safety	17,000			17,000
Public Works			62,607	62,607
Capital Outlay			2,423	2,423
<i>Total Disbursements</i>	<u>70,605</u>	<u>0</u>	<u>65,030</u>	<u>135,635</u>
<i>Net Change in Fund Balances</i>	6,373	3,909	28,944	39,226
<i>Fund Balances Beginning of Year</i>	<u>146,386</u>	<u>27,976</u>	<u>59,844</u>	<u>234,206</u>
<i>Fund Balances End of Year</i>	<u>\$ 152,759</u>	<u>\$ 31,885</u>	<u>\$ 88,788</u>	<u>\$ 273,432</u>

See accompanying notes to the basic financial statements

**GALLIPOLIS TOWNSHIP
GALLIA COUNTY**

*Statement of Receipts, Disbursements, and Changes in Fund Balance
Budget and Actual (Budget Basis)
General Fund
For the Year Ended December 31, 2007*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Receipts				
Property and Other Local Taxes	\$ 37,400	\$ 37,400	\$ 38,954	\$ 1,554
Licenses, Permits, and Fees			3,031	3,031
Intergovernmental	18,075	22,075	34,207	12,132
Earnings on Investments	600	600	591	(9)
Miscellaneous			195	195
Total Receipts	<u>56,075</u>	<u>60,075</u>	<u>76,978</u>	<u>16,903</u>
Disbursements				
Current:				
General Government	66,475	66,475	53,605	12,870
Public Safety	20,000	20,000	17,000	3,000
Total Disbursements	<u>86,475</u>	<u>86,475</u>	<u>70,605</u>	<u>15,870</u>
Excess of Receipts Over/(Under) Disbursements	<u>(30,400)</u>	<u>(26,400)</u>	<u>6,373</u>	<u>1,033</u>
Other Financing Sources/(Uses)				
Other Financing Sources	<u>150</u>	<u>150</u>		<u>(150)</u>
Total Other Financing Sources/(Uses)	<u>150</u>	<u>150</u>	<u>0</u>	<u>(150)</u>
Net Change in Fund Balance	<u>(30,250)</u>	<u>(26,250)</u>	<u>6,373</u>	<u>32,623</u>
<i>Fund Balances Beginning of Year</i>	<u>146,386</u>	<u>146,386</u>	<u>146,386</u>	<u>0</u>
<i>Fund Balances End of Year</i>	<u>\$ 116,136</u>	<u>\$ 120,136</u>	<u>\$ 152,759</u>	<u>\$ 32,623</u>

See accompanying notes to the basic financial statements

GALLIPOLIS TOWNSHIP
GALLIA COUNTY

Statement of Receipts, Disbursements, and Changes in Fund Balance
Budget and Actual (Budget Basis)
Motor Vehicle License Tax Fund
For the Year Ended December 31, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Receipts				
Intergovernmental	\$ 3,435	\$ 3,435	\$ 3,786	\$ 351
Earnings on Investments	100	100	123	23
<i>Total Receipts</i>	<u>3,535</u>	<u>3,535</u>	<u>3,909</u>	<u>374</u>
Disbursements				
Current:				
Public Works	800	800		800
Capital Outlay	25,000	25,000		25,000
<i>Total Disbursements</i>	<u>25,800</u>	<u>25,800</u>	<u>0</u>	<u>25,800</u>
<i>Net Change in Fund Balance</i>	<u>(22,265)</u>	<u>(22,265)</u>	<u>3,909</u>	<u>26,174</u>
<i>Fund Balances Beginning of Year</i>	<u>27,976</u>	<u>27,976</u>	<u>27,976</u>	<u>0</u>
<i>Fund Balances End of Year</i>	<u><u>\$ 5,711</u></u>	<u><u>\$ 5,711</u></u>	<u><u>\$ 31,885</u></u>	<u><u>\$ 26,174</u></u>

See accompanying notes to the basic financial statements

**GALLIPOLIS TOWNSHIP
GALLIA COUNTY**

*Statement of Receipts, Disbursements, and Changes in Fund Balance
Budget and Actual (Budget Basis)
Gasoline Tax Fund
For the Year Ended December 31, 2007*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Intergovernmental	\$ 55,325	\$ 55,325	\$ 93,639	\$ 38,314
Earnings on Investments	225	225	335	110
<i>Total Receipts</i>	<u>55,550</u>	<u>55,550</u>	<u>93,974</u>	<u>38,424</u>
Disbursements				
Current:				
Public Works	95,450	95,450	62,607	32,843
Capital Outlay	19,943	19,943	2,423	17,520
<i>Total Disbursements</i>	<u>115,393</u>	<u>115,393</u>	<u>65,030</u>	<u>50,363</u>
<i>Net Change in Fund Balance</i>	<u>(59,843)</u>	<u>(59,843)</u>	<u>28,944</u>	<u>88,787</u>
<i>Fund Balances Beginning of Year</i>	<u>59,844</u>	<u>59,844</u>	<u>59,844</u>	
<i>Fund Balances End of Year</i>	<u>\$ 1</u>	<u>\$ 1</u>	<u>\$ 88,788</u>	<u>\$ 88,787</u>

See accompanying notes to the basic financial statements

**Gallipolis Township
Gallia County**

Notes to the Financial Statements
For the Years Ended December 31, 2008 and 2007

Note 1 – Reporting Entity

Gallipolis Township, Gallia County, Ohio (the Township), 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 Township is directed by a publicly elected three-member Board of Trustees. The Township also has an elected Township Fiscal Officer. The Township provides general government services and maintenance of Township roads. The Township contracts with the Village of Gallipolis for fire protection. Police protection is provided by the Gallia County Sheriff.

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

Note 2 – Summary of Significant Accounting Policies

The financial statements are presented on a modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified 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 modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Following are the more significant of the Township's accounting policies.

A. Fund Financial Statements

During the year, the Township segregates transactions related to certain Township functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Township at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column.

B. Governmental Funds

The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g., grants), and other nonexchange transactions as governmental funds. The Township's major governmental funds are the General Fund, Motor Vehicle License Tax Fund, and Gasoline Tax Fund. The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio. The Gasoline Tax Fund and Motor Vehicle License Tax Fund are used to account for and are available to the Township for road maintenance.

C. Basis of Accounting

The Township's financial statements are prepared using the modified cash basis of accounting. Receipts are recorded in the Township'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.

**Gallipolis Township
Gallia County**

Notes to the Financial Statements
For the Years Ended December 31, 2008 and 2007
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

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 appropriations ordinance, 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 Township may appropriate.

The appropriations resolution is the Township's authorization to spend resources and sets limits on disbursements plus encumbrances at the level of control selected by the Township. The legal level of control has been established at the fund, function, object 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 Fiscal Officer. 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 certificated of estimated resources in effect at the time final appropriations were passed by the Township.

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

Interest earnings are allocated to Township funds according to State statutes. Interest receipts credited to the General Fund during 2008 were \$609; to the Gasoline Tax Fund were \$411; and to the Motor Vehicle License Fund were \$97. Interest receipts credited to the General Fund during 2007 were \$591; to the Gasoline Tax Fund were \$335; and to the Motor Vehicle License Fund were \$123.

E. Cash and Investments

Cash accounts are valued at cost. The Township had no investments during the audit period.

F. Inventory and Prepaid Items

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

G. 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.

H. Employer Contributions to Cost-Sharing Pension Plans

The Township recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**Gallipolis Township
Gallia County**

Notes to the Financial Statements
For the Years Ended December 31, 2008 and 2007
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

I. 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. Restricted for Other Purposes is comprised of net assets restricted for grants and construction, maintenance, and repair of Township roadways. The Township's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

Note 3 – Compliance

Contrary to Ohio Revised Code Section 5705.41(D), the Township did not encumber all commitments required.

Note 4 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual (Budgetary Basis) presented for the General Fund, Motor Vehicle License Tax Fund, and Gasoline Tax Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget.

Note 5 – Deposits and Investments

Monies held by the Township are classified by State statute into three categories. Active monies are public monies determined to be necessary to meet current demands upon the Township treasury. Active monies must be maintained either as cash in the Township 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 Trustees have 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 Township can be deposited or invested in the following securities:

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

**Gallipolis Township
Gallia County**

Notes to the Financial Statements
For the Years Ended December 31, 2008 and 2007
(Continued)

Note 5 – Deposits and Investments (Continued)

3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAROhio).

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

The Township 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 Township or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure 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.

The Township maintains a cash and investments pool all funds use. The carrying amount of cash and investments at December 31 was as follows:

	<u>2008</u>	<u>2007</u>
Demand deposits	\$ 247,598	\$ 273,432

Deposits: Deposits are insured by the Federal Deposit Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Township.

Note 6 – Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Township.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

**Gallipolis Township
Gallia County**

Notes to the Financial Statements
For the Years Ended December 31, 2008 and 2007
(Continued)

Note 6 – Property Taxes (Continued)

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Township.

The full tax rate for all Township operations for the year ended December 31, 2008 and 2007 was \$0.40 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2008 and 2007 property tax receipts were based are as follows:

	<u>2008</u>	<u>2007</u>
Real Property Residential	\$ 18,909,050	\$ 18,563,870
Public Utility Property	4,081,104	4,909,160
Mobile Home Property	1,966,937	276,675
Tangible Personal Property	<u>2,359,708</u>	<u>1,289,008</u>
Total Assessed Value	<u>\$ 27,316,799</u>	<u>\$ 25,038,713</u>

Note 7 – Risk Management

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

For an occurrence prior to January 1, 2006, OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust PEP's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (prior to January 1, 2006) or \$3,000,000 (on or subsequent to January 1, 2006).

Property Coverage

Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence.

**Gallipolis Township
Gallia County**

Notes to the Financial Statements
For the Years Ended December 31, 2008 and 2007
(Continued)

Note 7 – Risk Management (Continued)

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. This amount increased to \$300,000 in 2007. For 2007, APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000 in 2006, or \$100,000 and \$300,000 in 2007, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.

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

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2007 and 2006 (the latest information available):

	<u>2007</u>	<u>2006</u>
Assets	\$43,210,703	\$42,042,275
Liabilities	(13,357,837)	(12,120,661)
Net Assets	<u>\$29,852,866</u>	<u>\$29,921,614</u>

At December 31, 2007 and 2006, respectively, liabilities above include approximately \$12.5 million and \$11.3 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$11.6 million and \$10.8 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2007 and 2006, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$3,000. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

<u>Contributions to OTARMA</u>	
2006	\$6,326
2007	\$2,539
2008	\$3,249

**Gallipolis Township
Gallia County**

Notes to the Financial Statements
For the Years Ended December 31, 2008 and 2007
(Continued)

Note 7 – Risk Management (Continued)

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they provide written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

Note 8 – Defined Benefit Pension Plan

The Township 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, Ohio 43215-4642 or by calling (614) 222-5601 or 800-222-7377.

For the years ended December 31, 2008 and 2007, the members of all three plans were required to contribute 10 percent and 9.5 percent, respectively, of their annual covered salaries. The Township's contribution rates for pension benefits for 2008 and 2007 were 14 percent and 13.85 percent, respectively. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Township's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2008 and 2007 were \$ 8,049 and \$7,777 respectively; 100 percent has been contributed for 2008 and 2007.

Note 9 – Postemployment Benefits

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and qualified survivor benefit recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. 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 2008 the employer contribution rate was 14 percent; 7 percent of covered payroll was the portion used to fund healthcare. The 2007 local government employer contribution rate was 13.85 percent of covered payroll; 5 percent of covered payroll was the portion that was used to fund health care from January 1 through June 30 and 6 percent of covered payroll was the portion used to fund health care from July 1 through December 31.

**Gallipolis Township
Gallia County**

Notes to the Financial Statements
For the Years Ended December 31, 2008 and 2007
(Continued)

Note 9 – Postemployment Benefits (Continued)

Benefits are advance-funded using the individual entry age actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2005, include a rate of return on investments of 6.50 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care costs were assumed to increase between .50 and 6.00 percent annually for the next nine years and 4.00 percent annually after nine years.

All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12 percent corridor.

The number of active contributing participants in the traditional and combined plans was 369,214. The number of active contributing participants for both plans used in the December 31, 2005, actuarial valuation was 358,804. Actual employer contributions for 2008 and 2007, which were used to fund postemployment benefits, were \$1,828 and \$2,348, respectively. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2005, (the latest information available) were \$11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$31.3 billion and \$20.2 billion, respectively.

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



Mary Taylor, CPA

Auditor of State

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

Gallipolis Township
Gallia County
1069 Second Avenue
Gallipolis, Ohio 45631

To the Board of Trustees:

We have audited the financial statements of the governmental activities and each major fund of Gallipolis Township, Gallia County, Ohio (the Township), as of and for the years ended December 31, 2008 and 2007, which collectively comprise the Township's basic financial statements and have issued our report thereon dated October 15, 2009. We also noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. 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 Township's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township'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 Township'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 Township'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 Township's internal control will not prevent or detect a material financial statement misstatement.

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

We noted certain matters that we reported to the Township's management in a separate letter dated October 15, 2009.

Compliance and Other Matters

As part of reasonably assuring whether the Township'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 an instance of noncompliance that we must report under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2008-001.

We also noted a certain noncompliance or other matter not requiring inclusion in this report that we reported to the Township's management in a separate letter dated October 15, 2009.

We intend this report solely for the information and use of management and the Board of Trustees. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

October 15, 2009

**GALLIPOLIS TOWNSHIP
GALLIA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2008 AND 2007**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2008-001

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the Fiscal Officer is attached thereto. The Fiscal Officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

There are several exceptions to the standard requirement stated above that a Fiscal Officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in Sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. **"Then and Now" Certificate** – If the Fiscal Officer can certify that both at the time that the contract or order was made ("then"), and at the time that the Fiscal Officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Township can authorize the drawing of a warrant for the payment of the amount due. The Township has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 may be paid by the Fiscal Officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.
2. **Blanket Certificate** – Fiscal Officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. **Super Blanket Certificate** – The Township may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the Fiscal Officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Fiscal Officer did not certify the availability of funds prior to purchase commitments for 8.3 percent of the expenditures tested in 2007 and 47.6 percent of the expenditures tested in 2008 . The Township did not have sufficient internal controls in place to ensure the certification of the availability of funds. Failure to certify the availability of funds properly can result in overspending funds and negative cash fund balances.

**GALLIPOLIS TOWNSHIP
GALLIA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2008 AND 2007
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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**FINDING NUMBER 2008-001
(Continued)**

Noncompliance Citation- Ohio Rev. Code Section 5705.41(D)(1) (Continued)

Unless the Township uses the exceptions noted above, prior certification is not only required by statute but is also a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Township's funds exceeding budgetary spending limitations, we recommend the Fiscal Officer certify that funds are or will be available prior to obligation by the Township. When prior certification is not possible, "then and now" certification should be used.

We recommend the Township officials and employees obtain the Fiscal Officer's certification of the availability of funds prior to the commitment being incurred. The most convenient certification method is to use purchase orders that include the certification language of Ohio Rev. Code Section 5705.41(D) required to authorize disbursements. The Fiscal Officer should sign the certification at the time the Township incurs a commitment, and only when the requirements of Ohio Rev. Code Section 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase orders to the proper appropriation code to reduce the available appropriation.

Client Response: The officials did not respond to this finding.



Mary Taylor, CPA
Auditor of State

GALLIPOLIS TOWNSHIP

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 5, 2009**