

**VILLAGE OF THE CITY OF GALLIPOLIS
GALLIA COUNTY
Regular Audit
For the Years Ended December 31, 2010 and 2009**

Perry & Associates
Certified Public Accountants, A.C



Dave Yost • Auditor of State

Board of Village Commissioners
Village of the City of Gallipolis
P.O. Box 339
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, 2009 through December 31, 2010. 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.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

August 24, 2011

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

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GALLIA COUNTY

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INDEPENDENT ACCOUNTANTS' REPORT

June 24, 2011

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, 2010 and 2009, 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 discussed 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, 2010 and 2009, and the respective changes in cash financial position, thereof and the respective budgetary comparison for the General and Tax Incremental Financing Funds for the years then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2011, 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, 2010 and 2009
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 years ended December 31, 2010 and 2009, within the limitations of the Village's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Village's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights are as follows:

- For 2010, total net assets decreased \$321,173, with governmental activities decreasing \$184,204 and business-type activities decreasing \$136,969. For 2009, total net assets increased \$117,204, with governmental activities decreasing \$325,302 and business-type activities increasing \$442,506.
- For 2010, the Village had three governmental major funds; the General Fund, the Tax Increment Financing Special Revenue Fund, and the Court Capital Improvement Capital Projects Fund. The General Fund's balance decreased \$618,663, while the balances of the Tax Increment Financing and Court Capital Improvement Funds increased \$92,395 and \$104,416, respectively.
- For 2009, the Village had the same three governmental major funds; the General Fund, the Tax Increment Financing Special Revenue Fund, and the Court Capital Improvement Capital Projects Fund. The General Fund's balance decreased \$787,279, while the balances of the Tax Increment Financing and Court Capital Improvement Funds increased \$131,989 and \$86,885, respectively.
- The Village has two business-type activities: the Water and Sewer Funds. For 2010, the Water Fund's net asset balance decreased \$72,854 as well as the Sewer Fund by \$64,115. For 2009, the Water Fund's net asset balance increased \$2,896 as well as the Sewer Fund by \$439,610.

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, 2010 and 2009
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 2010 and 2009, 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
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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 non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Village's major governmental funds are the General Fund, the Tax Increment Financing Special Revenue Fund, and the Court Capital Improvement Capital Projects Fund. The programs reported in the governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements. We describe this relationship in reconciliations, if necessary.
- **Proprietary Funds** - When the Village charges customers for the services it provides, these services are generally reported in proprietary funds. When the services are provided to the general public, the activity is reported as an enterprise fund. The Village has two enterprise funds, the Water and Sewer Funds. The Village also has an internal service fund for medical expense reimbursements.
- ***Fiduciary Funds*** Fiduciary funds are used to account for resources held for the benefit of parties outside the Village. They are not reflected on the government-wide financial statements because the resources from those funds are not available to support the Village's programs. The Village uses the accrual basis of accounting to report its fiduciary fund.

Village of the City of Gallipolis, Ohio
Management's Discussion and Analysis
For the Years Ended December 31, 2010 and 2009
Unaudited

THE VILLAGE OF THE CITY OF GALLIPOLIS AS A WHOLE

Table 1 provides a summary of the Village's net assets for 2010 compared to 2009 on a cash basis:

(Table 1)

Net Assets

| | Governmental Activities | | Business-Type Activities | | Total | |
|--------------------------------|-------------------------|--------------------|--------------------------|--------------------|--------------------|--------------------|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| Assets | | | | | | |
| Cash and Cash Equivalents | \$2,789,054 | \$2,983,953 | \$952,738 | \$1,095,626 | \$3,741,792 | \$4,079,579 |
| Cash in Segregated Accounts | 101,786 | 85,172 | 0 | 0 | 101,786 | 85,172 |
| Internal Balances | (38,245) | (32,326) | 38,245 | 32,326 | 0 | 0 |
| <i>Total Assets</i> | <u>2,852,595</u> | <u>3,036,799</u> | <u>990,983</u> | <u>1,127,952</u> | <u>3,843,578</u> | <u>4,164,751</u> |
| Net Assets | | | | | | |
| Restricted for: | | | | | | |
| Street | 568,861 | 469,494 | 0 | 0 | 568,861 | 469,494 |
| Police | 203,414 | 161,697 | 0 | 0 | 203,414 | 161,697 |
| Fire | 114,434 | 169,854 | 0 | 0 | 114,434 | 169,854 |
| Cemetery | 37,753 | 36,019 | 0 | 0 | 37,753 | 36,019 |
| Recreation | 65,195 | 53,824 | 0 | 0 | 65,195 | 53,824 |
| Court | 294,364 | 279,723 | 0 | 0 | 294,364 | 279,723 |
| Capital Improvements | 769,955 | 465,296 | 0 | 0 | 769,955 | 465,296 |
| Unclaimed Monies | 13,792 | 16,373 | 0 | 0 | 13,792 | 16,373 |
| Other Purposes | 54,547 | 48,852 | 0 | 0 | 54,547 | 48,852 |
| Perpetual Care - Nonexpendable | 27,442 | 27,442 | 0 | 0 | 27,442 | 27,442 |
| Unrestricted | <u>702,838</u> | <u>1,308,225</u> | <u>990,983</u> | <u>1,127,952</u> | <u>1,693,821</u> | <u>2,436,177</u> |
| <i>Total Net Assets</i> | <u>\$2,852,595</u> | <u>\$3,036,799</u> | <u>\$990,983</u> | <u>\$1,127,952</u> | <u>\$3,843,578</u> | <u>\$4,164,751</u> |

As mentioned previously, net assets of governmental activities decreased \$184,204 and the business-type activities net assets decreased \$136,969 during 2010. The primary reasons contributing to the decreases are as follows:

- Slow growth in local tax revenues. Property tax valuation within the Village increased from \$69,840,766 (in 2009) to \$71,932,565 (in 2010). Additionally, the economy has negatively impacted local wages, resulting in little change in income tax receipts compared to last year.
- Debt Service from the Village's energy conservation project. The project, totaling \$6,000,000 Village-wide, has reduced the Village's energy consumption and included improvements to the Village's street lighting, pool and park facilities, and water and sewer systems. Final debt service payment is April 9, 2015.
- \$574,218.62 was transferred from the General Fund to the New Municipal Building Fund (\$106,000 in 2009 and \$468,219 in 2010). This was the total of prior period adjustments for interest that the General Fund received in 2009, which the Village's legislative authority dedicated to the expenses related to a new municipal building.

Table 2 reflects the changes in net assets on a cash basis in 2010 and 2009 for governmental activities, business-type activities, and total primary government.

Village of the City of Gallipolis, Ohio
Management's Discussion and Analysis
For the Years Ended December 31, 2010 and 2009
Unaudited

(Table 2)

Changes in Net Assets

| | Governmental Activities | | Business-Type Activities | | Total | |
|---|-------------------------|--------------------|--------------------------|--------------------|--------------------|--------------------|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| Receipts | | | | | | |
| Program Receipts: | | | | | | |
| Charges for Services | \$1,597,294 | \$1,592,075 | \$2,919,327 | \$2,815,672 | \$4,516,621 | \$4,407,747 |
| Operating Grants, Contributions and Interest | 640,397 | 367,072 | 0 | 0 | 640,397 | 367,072 |
| Capital Grants and Contributions and Interest | 41,821 | 138,234 | 388,668 | 0 | 430,489 | 138,234 |
| <i>Total Program Receipts</i> | <u>2,279,512</u> | <u>2,097,381</u> | <u>3,307,995</u> | <u>2,815,672</u> | <u>5,587,507</u> | <u>4,913,053</u> |
| General Receipts: | | | | | | |
| Property Taxes | 317,378 | 308,519 | 0 | 0 | 317,378 | 308,519 |
| Income Taxes | 1,636,275 | 1,660,511 | 0 | 0 | 1,636,275 | 1,660,511 |
| Payments in Lieu of Taxes | 127,376 | 277,852 | 0 | 0 | 127,376 | 277,852 |
| Franchise Fees | 59,745 | 58,127 | 0 | 0 | 59,745 | 58,127 |
| Grants and Entitlements | 358,645 | 257,611 | 0 | 0 | 358,645 | 257,611 |
| Investment Earnings | 94,673 | 100,752 | 0 | 0 | 94,673 | 100,752 |
| Donations and Contributions | 3,650 | 2,470 | 0 | 0 | 3,650 | 2,470 |
| Loan Proceeds | 0 | 0 | 93,701 | 0 | 93,701 | 0 |
| Miscellaneous | 16,458 | 34,595 | 11,513 | 7,578 | 27,971 | 42,173 |
| <i>Total General Receipts</i> | <u>2,614,200</u> | <u>2,700,437</u> | <u>105,214</u> | <u>7,578</u> | <u>2,719,414</u> | <u>2,708,015</u> |
| Total Receipts | <u>4,893,712</u> | <u>4,797,818</u> | <u>3,413,209</u> | <u>2,823,250</u> | <u>8,306,921</u> | <u>7,621,068</u> |
| Disbursements: | | | | | | |
| General Government | 1,242,414 | 1,206,585 | 0 | 0 | 1,242,414 | 1,206,585 |
| General Government - Court | 546,360 | 579,991 | 0 | 0 | 546,360 | 579,991 |
| Security of Persons and Property: | | | | | | |
| Police | 1,322,120 | 1,093,317 | 0 | 0 | 1,322,120 | 1,093,317 |
| Fire | 265,906 | 212,080 | 0 | 0 | 265,906 | 212,080 |
| Public Health Services | 126,068 | 155,667 | 0 | 0 | 126,068 | 155,667 |
| Community Environment | 103,035 | 111,941 | 0 | 0 | 103,035 | 111,941 |
| Transportation | 413,332 | 387,005 | 0 | 0 | 413,332 | 387,005 |
| Leisure Time Activities | 308,388 | 285,745 | 0 | 0 | 308,388 | 285,745 |
| Capital Outlay | 417,711 | 329,846 | 0 | 0 | 417,711 | 329,846 |
| Debt Service: | | | | | | |
| Principal Retirement | 253,874 | 249,092 | 0 | 0 | 253,874 | 249,092 |
| Interest and Fiscal Charges | 78,708 | 99,591 | 0 | 0 | 78,708 | 99,591 |
| Water | 0 | 0 | 1,806,579 | 1,528,203 | 1,806,579 | 1,528,203 |
| Sewer | 0 | 0 | 1,743,599 | 1,264,801 | 1,743,599 | 1,264,801 |
| <i>Total Disbursements</i> | <u>5,077,916</u> | <u>4,710,860</u> | <u>3,550,178</u> | <u>2,793,004</u> | <u>8,628,094</u> | <u>7,503,864</u> |
| <i>Increase (Decrease) before Advances In and Out</i> | (184,204) | 86,958 | (136,969) | 30,246 | (321,173) | 117,204 |
| <i>Advances</i> | <u>0</u> | <u>(412,260)</u> | <u>0</u> | <u>412,260</u> | <u>0</u> | <u>0</u> |
| <i>Increase (Decrease) before Advances In and Out</i> | (184,204) | (325,302) | (136,969) | 442,506 | (321,173) | 117,204 |
| <i>Net Assets Beginning of Year</i> | <u>3,036,799</u> | <u>3,362,101</u> | <u>1,127,952</u> | <u>685,446</u> | <u>4,164,751</u> | <u>4,047,547</u> |
| <i>Net Assets End of Year</i> | <u>\$2,852,595</u> | <u>\$3,036,799</u> | <u>\$990,983</u> | <u>\$1,127,952</u> | <u>\$3,843,578</u> | <u>\$4,164,751</u> |

Village of the City of Gallipolis, Ohio
Management's Discussion and Analysis
For the Years Ended December 31, 2010 and 2009
Unaudited

Governmental Activities

For 2010, program receipts represent only \$2,279,512 or 46.6 percent of total receipts and are primarily composed of charges for services such as code enforcement, cemetery, and recreation fees, court fines, and police and fire contracts, and restricted intergovernmental receipts such as motor vehicle license and gas tax money. The amount of program revenues increased substantially from the prior year, largely related to the increases in funding of operating grants and contributions from the Office of Criminal Justice Services for police and court probation grants.

General receipts represent \$2,614,200, or 53.4 percent of the Village's total receipts, and of this amount, \$2,081,029, or 79.6 percent are derived from local taxes. The Village's total general revenue receipts remained relatively stable, once payments in lieu of taxes is adjusted for the overpayment of \$80,590 received and refunded in 2009.

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 55.7 percent of the governmental expenses in 2010, a slight increase in percentage, but substantial increase in dollar amount, from the prior year. During 2010, expenses for these operations amounted to \$1,242,414, \$1,322,120, and \$265,906, respectively. These activities are, for the most part, funded by the municipal income tax. The Village attempts to supplement the income and activities of the police and fire departments through grant funding to enable the departments to widen the scope of their activities. The police and fire departments and their employees continue to work hand-in-hand with the Village to help reduce the costs to the taxpayer.

Transportation activities of the Village accounted for 8.1 percent of governmental expenses. This is a slight increase from 2009. This is due to an increase in operating costs from 2009 to 2010, after remaining relatively stable for several years.

Capital outlay activities of the Village accounted for 8.2 percent of governmental expenses. This is largely due to preliminary activities related to the construction of a new law enforcement center (municipal building).

Court operations, public health services, park operations, community environment, and debt service account for the remaining 28.0 percent of governmental expenditures in 2010.

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 2010, program expenses exceeded program receipts by \$136,969 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 \$14.36 and \$10.93, respectively, for the first 1,000 gallons. Water and sewer rates last increased 3 percent, on April 1, 2010.

Village of the City of Gallipolis, Ohio
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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 |
| | 2010 | 2010 | 2009 | 2009 |
| General Government | \$1,242,414 | \$758,788 | \$1,206,585 | \$719,079 |
| General Government - Court | 546,360 | (254,680) | 579,991 | (199,827) |
| Security of Persons and Property: | | | | |
| Police | 1,322,120 | 1,014,752 | 1,093,317 | 994,011 |
| Fire | 265,906 | 41,069 | 212,080 | 27,844 |
| Public Health Services | 126,068 | 77,592 | 155,667 | 113,558 |
| Community Environment | 103,035 | 86,348 | 111,941 | 91,802 |
| Transportation | 413,332 | 96,588 | 387,005 | (21,247) |
| Leisure Time Activities | 308,388 | 227,654 | 285,745 | 209,730 |
| Capital Outlay | 417,711 | 417,711 | 329,846 | 329,846 |
| Debt Service: | | | | |
| Principal Retirement | 253,874 | 253,874 | 249,092 | 249,092 |
| Interest and Fiscal Charges | 78,708 | 78,708 | 99,591 | 99,591 |
| <i>Total</i> | <u>\$5,077,916</u> | <u>\$2,798,404</u> | <u>\$4,710,860</u> | <u>\$2,613,479</u> |

The dependence upon property and income tax receipts is apparent as nearly 53 percent of governmental activities are supported through these and other general receipts.

THE VILLAGE'S FUNDS

The Village's governmental funds are accounted for using the cash basis of accounting. In 2010, governmental funds had total receipts of \$4,893,679 and disbursements of \$5,088,578. In 2009, governmental funds had total receipts of \$4,797,744 and disbursements of \$4,739,732.

The fund balance of the General Fund decreased \$618,663 from 2009. At December 31, 2010, the General Fund's unreserved fund balance of \$617,103 represented 22 percent of current year disbursements. Most of this balance remains in the Village's treasury.

The fund balance of the Tax Increment Financing Special Revenue Fund increased \$92,395 from 2009. At December 31, 2010, the Fund had an unreserved fund balance of \$499,795.

The fund balance of the Court Capital Improvement Capital Projects Fund increased \$104,416 from 2009. At December 31, 2010, the Court Capital Improvement Fund had an unreserved fund balance of \$522,937.

Village of the City of Gallipolis, Ohio
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The net asset balance of the Water Enterprise Fund decreased \$72,854 in 2010 largely due to dedication of more personnel and supplies to water line maintenance. Debt service payments related to the Ameresco Energy Savings Project continued to have a negative impact, although this was partially mitigated by utility savings.

The net asset balance of the Sewer Enterprise Fund decreased \$64,115 in 2010 due to dedication of more personnel and supplies to sewer line maintenance. Debt service payments related to the Ameresco Energy Savings Project continued to have a negative impact, although this was partially mitigated by utility savings.

General Fund Budgeting Highlights

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

During 2010, the Village amended the General Fund budget several times. Budget basis revenue was \$3,129,344, \$332,001 above final estimates of \$2,797,343. Final estimated revenues were only decreased \$13,395 from the original of \$2,810,738. Expenditures of \$2,794,139 were lower than final appropriations of \$3,200,165. Final appropriations were reduced \$9,593 from originals. All recommendations for budget change came from the Village Manager and Village Auditor to the Commission for review and Ordinance enactment on the change. The allocation of appropriations within the departments and objects within a fund, with the exception of employee salaries, may be modified during the year, as requested by the department supervisors and approved by the Village Manager, by the Village Auditor without an ordinance of the Commission. With the General Fund supporting many of our major activities such as our police and fire departments, as well as most legislative and executive activities, the General Fund is monitored closely, looking for possible revenue shortfalls or overspending by individual departments.

Village of the City of Gallipolis, Ohio
Management's Discussion and Analysis
For the Years Ended December 31, 2010 and 2009
Unaudited

DEBT ADMINISTRATION

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

(Table 4)
Outstanding Debt at December 31, 2010 and 2009

| | Governmental Activities | | Business-Type Activities | | Total | |
|---|-------------------------|--------------------|--------------------------|--------------------|--------------------|--------------------|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| Bond Anticipation Notes: | | | | | | |
| 2002 Fire Truck | \$136,444 | \$177,827 | \$0 | \$0 | \$136,444 | \$177,827 |
| 2002 Pumper/Tanker Truck | 122,462 | 138,053 | 0 | 0 | 122,462 | 138,053 |
| 2007Municipal Building | 30,545 | 59,860 | 0 | 0 | 30,545 | 59,860 |
| <i>Total Bond Anticipation Notes</i> | <u>289,451</u> | <u>375,740</u> | <u>0</u> | <u>0</u> | <u>289,451</u> | <u>375,740</u> |
| Loans: | | | | | | |
| 1995 OPWC | 0 | 0 | 0 | 4,629 | 0 | 4,629 |
| 2010 OPWC | 0 | 0 | 93,701 | 0 | 93,701 | 0 |
| 2003 State Infrastructure Bank | 367,038 | 383,620 | 0 | 0 | 367,038 | 383,620 |
| 2005 Ameresco | 549,670 | 656,010 | 3,137,603 | 3,744,605 | 3,687,273 | 4,400,615 |
| <i>Total Loans</i> | <u>916,708</u> | <u>1,039,630</u> | <u>3,231,304</u> | <u>3,749,234</u> | <u>4,148,012</u> | <u>4,788,864</u> |
| 2002 General Obligation Vehicle Bonds | 0 | 30,803 | 0 | 0 | 0 | 30,803 |
| 2002 General Obligation Fire Station Bonds | 503,367 | 517,227 | 0 | 0 | 503,367 | 517,227 |
| <i>Totals</i> | <u>\$1,709,526</u> | <u>\$1,963,400</u> | <u>\$3,231,304</u> | <u>\$3,749,234</u> | <u>\$4,940,830</u> | <u>\$5,712,634</u> |

For additional information on the Village's debt, see Note 12 to the basic financial statements.

CURRENT ISSUES

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

CONTACTING THE VILLAGE AUDITOR'S DEPARTMENT

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

Village of the City of Gallipolis, Ohio

Statement of Net Assets - Cash Basis

December 31, 2010

| | <u>Governmental Activities</u> | <u>Business-Type Activities</u> | <u>Total</u> |
|--|------------------------------------|-------------------------------------|--------------------|
| Assets | | | |
| Equity in Pooled Cash and Cash Equivalents | \$2,789,054 | \$952,738 | \$3,741,792 |
| Cash in Segregated Accounts | 101,786 | 0 | 101,786 |
| Internal Balances | (38,245) | 38,245 | 0 |
| <i>Total Assets</i> | <u>\$2,852,595</u> | <u>\$990,983</u> | <u>\$3,843,578</u> |
| Net Assets | | | |
| Restricted for: | | | |
| Street | \$568,861 | \$0 | \$568,861 |
| Police | 203,414 | 0 | 203,414 |
| Fire | 114,434 | 0 | 114,434 |
| Cemetery | 37,753 | 0 | 37,753 |
| Recreation | 65,195 | 0 | 65,195 |
| Court | 294,364 | 0 | 294,364 |
| Capital Improvements | 769,955 | 0 | 769,955 |
| Unclaimed Monies | 13,792 | 0 | 13,792 |
| Other Purposes | 54,547 | 0 | 54,547 |
| Perpetual Care - Nonexpendable | 27,442 | 0 | 27,442 |
| Unrestricted | 702,838 | 990,983 | 1,693,821 |
| <i>Total Net Assets</i> | <u>\$2,852,595</u> | <u>\$990,983</u> | <u>\$3,843,578</u> |

See accompanying notes to the basic financial statements

Village of the City of Gallipolis, Ohio
Statement of Activities - Cash Basis
For the Year Ended December 31, 2010

| | 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 | \$1,242,414 | \$483,626 | \$0 | \$0 | (\$758,788) | \$0 | (\$758,788) |
| General Government - Court | 546,360 | 755,365 | 45,675 | 0 | 254,680 | 0 | 254,680 |
| Security of Persons and Property: | | | | | | | |
| Police | 1,322,120 | 26,830 | 280,538 | 0 | (1,014,752) | 0 | (1,014,752) |
| Fire | 265,906 | 117,207 | 107,630 | 0 | (41,069) | 0 | (41,069) |
| Public Health Services | 126,068 | 48,476 | 0 | 0 | (77,592) | 0 | (77,592) |
| Community Environment | 103,035 | 11,889 | 4,798 | 0 | (86,348) | 0 | (86,348) |
| Transportation | 413,332 | 73,429 | 201,494 | 41,821 | (96,588) | 0 | (96,588) |
| Leisure Time Activities | 308,388 | 80,472 | 262 | 0 | (227,654) | 0 | (227,654) |
| Capital Outlay | 417,711 | 0 | 0 | 0 | (417,711) | 0 | (417,711) |
| Debt Service: | | | | | | | |
| Principal Retirement | 253,874 | 0 | 0 | 0 | (253,874) | 0 | (253,874) |
| Interest and Fiscal Charges | 78,708 | 0 | 0 | 0 | (78,708) | 0 | (78,708) |
| <i>Total Governmental Activities</i> | <u>5,077,916</u> | <u>1,597,294</u> | <u>640,397</u> | <u>41,821</u> | <u>(2,798,404)</u> | <u>0</u> | <u>(2,798,404)</u> |
| Business-Type Activities | | | | | | | |
| Water | 1,806,579 | 1,557,276 | 0 | 138,883 | 0 | (110,420) | (110,420) |
| Sewer | 1,743,599 | 1,362,051 | 0 | 249,785 | 0 | (131,763) | (131,763) |
| <i>Total Business-Type Activities</i> | <u>3,550,178</u> | <u>2,919,327</u> | <u>0</u> | <u>388,668</u> | <u>0</u> | <u>(242,183)</u> | <u>(242,183)</u> |
| <i>Total</i> | <u>\$8,628,094</u> | <u>\$4,516,621</u> | <u>\$640,397</u> | <u>\$430,489</u> | <u>(2,798,404)</u> | <u>(242,183)</u> | <u>(3,040,587)</u> |
| General Receipts | | | | | | | |
| Property Taxes Levied for: | | | | | | | |
| General Purposes | | | | | 206,692 | 0 | 206,692 |
| Fire | | | | | 110,686 | 0 | 110,686 |
| Income Taxes Levied for General Purposes | | | | | 1,636,275 | 0 | 1,636,275 |
| Payments in Lieu of Taxes | | | | | 127,376 | 0 | 127,376 |
| Franchise Fees | | | | | 59,745 | 0 | 59,745 |
| Grants and Entitlements not Restricted to Specific Programs | | | | | 358,645 | 0 | 358,645 |
| Investment Earnings | | | | | 94,673 | 0 | 94,673 |
| Donations and Contributions | | | | | 3,650 | 0 | 3,650 |
| Loan Proceeds | | | | | 0 | 93,701 | 93,701 |
| Miscellaneous | | | | | 16,458 | 11,513 | 27,971 |
| <i>Total General Receipts</i> | | | | | <u>2,614,200</u> | <u>105,214</u> | <u>2,719,414</u> |
| Change in Net Assets | | | | | (184,204) | (136,969) | (321,173) |
| <i>Net Assets Beginning of Year</i> | | | | | <u>3,036,799</u> | <u>1,127,952</u> | <u>4,164,751</u> |
| <i>Net Assets End of Year</i> | | | | | <u>\$2,852,595</u> | <u>\$990,983</u> | <u>\$3,843,578</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, 2010

| | General | Tax Increment Financing | Court Capital Improvement | Other Governmental Funds | Total Governmental Funds |
|--|------------------|-------------------------------|---------------------------------|--------------------------------|--------------------------------|
| Assets | | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$639,297 | \$499,795 | \$522,937 | \$1,113,233 | \$2,775,262 |
| Restricted Assets: | | | | | |
| Equity in Pooled Cash and Cash Equivalents | 13,792 | 0 | 0 | 0 | 13,792 |
| <i>Total Assets</i> | <u>\$653,089</u> | <u>\$499,795</u> | <u>\$522,937</u> | <u>\$1,113,233</u> | <u>\$2,789,054</u> |
| Fund Balances | | | | | |
| Reserved for Encumbrances | \$22,194 | \$0 | \$0 | \$89,608 | \$111,802 |
| Reserved for Endowments | 0 | 0 | 0 | 27,442 | 27,442 |
| Reserved for Unclaimed Monies | 13,792 | 0 | 0 | 0 | 13,792 |
| Unreserved: | | | | | |
| Undesignated, Reported in: | | | | | |
| General Fund | 617,103 | 0 | 0 | 0 | 617,103 |
| Special Revenue Funds | 0 | 499,795 | 0 | 749,165 | 1,248,960 |
| Capital Projects Funds | 0 | 0 | 522,937 | 247,018 | 769,955 |
| <i>Total Fund Balances</i> | <u>\$653,089</u> | <u>\$499,795</u> | <u>\$522,937</u> | <u>\$1,113,233</u> | 2,789,054 |

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

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

63,541

Net Assets of Governmental Activities

\$2,852,595

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, 2010

| | General | Tax Increment Financing | Court Capital Improvement | Other Governmental Funds | Total Governmental Funds |
|--|------------------|-------------------------------|---------------------------------|--------------------------------|--------------------------------|
| Receipts | | | | | |
| Property and Other Local Taxes | \$206,692 | \$0 | \$0 | \$110,686 | \$317,378 |
| Municipal Income Taxes | 1,636,275 | 0 | 0 | 0 | 1,636,275 |
| Permissive Motor Vehicle License Taxes | 0 | 0 | 0 | 51,004 | 51,004 |
| Payment in Lieu of Taxes | 0 | 127,376 | 0 | 0 | 127,376 |
| Charges for Services | 361,434 | 0 | 0 | 402,031 | 763,465 |
| Fines, Licenses, and Permits | 395,614 | 0 | 175,523 | 211,058 | 782,195 |
| Franchise Fees | 59,745 | 0 | 0 | 0 | 59,745 |
| Intergovernmental | 358,645 | 0 | 0 | 678,859 | 1,037,504 |
| Investment Earnings | 94,640 | 0 | 0 | 1,041 | 95,681 |
| Donations | 3,650 | 0 | 0 | 2,948 | 6,598 |
| Miscellaneous | 12,649 | 0 | 887 | 2,922 | 16,458 |
| <i>Total Receipts</i> | <u>3,129,344</u> | <u>127,376</u> | <u>176,410</u> | <u>1,460,549</u> | <u>4,893,679</u> |
| Disbursements | | | | | |
| Current: | | | | | |
| General Government | 989,661 | 0 | 0 | 255,558 | 1,245,219 |
| General Government - Court | 333,561 | 0 | 0 | 214,668 | 548,229 |
| Security of Persons and Property: | | | | | |
| Police | 953,095 | 0 | 0 | 372,761 | 1,325,856 |
| Fire | 190,592 | 0 | 0 | 75,547 | 266,139 |
| Public Health Services | 8,602 | 0 | 0 | 117,746 | 126,348 |
| Community Environment | 101,470 | 0 | 0 | 2,148 | 103,618 |
| Transportation | 58,300 | 6,065 | 0 | 349,936 | 414,301 |
| Leisure Time Activities | 136,664 | 0 | 0 | 171,911 | 308,575 |
| Capital Outlay | 0 | 0 | 71,994 | 345,717 | 417,711 |
| Debt Service: | | | | | |
| Principal Retirement | 0 | 0 | 0 | 253,874 | 253,874 |
| Interest and Fiscal Charges | 0 | 0 | 0 | 78,708 | 78,708 |
| <i>Total Disbursements</i> | <u>2,771,945</u> | <u>6,065</u> | <u>71,994</u> | <u>2,238,574</u> | <u>5,088,578</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>357,399</u> | <u>121,311</u> | <u>104,416</u> | <u>(778,025)</u> | <u>(194,899)</u> |
| Other Financing Sources (Uses) | | | | | |
| Advances In | 95,373 | 0 | 0 | 146,726 | 242,099 |
| Advances Out | (136,726) | 0 | 0 | (105,373) | (242,099) |
| Transfers In | 0 | 0 | 0 | 1,147,461 | 1,147,461 |
| Transfers Out | (934,709) | (28,916) | 0 | (183,836) | (1,147,461) |
| <i>Total Other Financing Sources (Uses)</i> | <u>(976,062)</u> | <u>(28,916)</u> | <u>0</u> | <u>1,004,978</u> | <u>0</u> |
| <i>Net Change in Fund Balances</i> | (618,663) | 92,395 | 104,416 | 226,953 | (194,899) |
| <i>Fund Balances Beginning of Year</i> | <u>1,271,752</u> | <u>407,400</u> | <u>418,521</u> | <u>886,280</u> | <u>2,983,953</u> |
| <i>Fund Balances End of Year</i> | <u>\$653,089</u> | <u>\$499,795</u> | <u>\$522,937</u> | <u>\$1,113,233</u> | <u>\$2,789,054</u> |

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

The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund receipts are eliminated. The net receipts (disbursements) of the internal service fund is allocated among the governmental activities.

10,695

Change in Net Assets of Governmental Activities

(\$184,204)

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, 2010

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | Variance with |
|--|-------------------------|------------------|------------------|---------------------------------|
| | <u>Original</u> | <u>Final</u> | | Final Budget Over (Under) |
| Receipts | | | | |
| Property and Other Taxes | \$185,648 | \$184,764 | \$206,692 | \$21,928 |
| Municipal Income Taxes | 1,469,682 | 1,462,678 | 1,636,275 | 173,597 |
| Charges for Services | 324,636 | 323,088 | 361,434 | 38,346 |
| Fines, Licenses, and Permits | 355,336 | 353,642 | 395,614 | 41,972 |
| Franchise Fees | 53,662 | 53,407 | 59,745 | 6,338 |
| Intergovernmental | 322,131 | 320,595 | 358,645 | 38,050 |
| Investment Earnings | 85,004 | 84,599 | 94,640 | 10,041 |
| Donations | 3,278 | 3,263 | 3,650 | 387 |
| Miscellaneous | 11,361 | 11,307 | 12,649 | 1,342 |
| <i>Total Receipts</i> | <u>2,810,738</u> | <u>2,797,343</u> | <u>3,129,344</u> | <u>332,001</u> |
| Disbursements | | | | |
| Current: | | | | |
| General Government | 1,139,822 | 1,136,415 | 992,231 | 144,184 |
| General Government - Court | 383,177 | 382,032 | 333,561 | 48,471 |
| Security of Persons and Property: | | | | |
| Police | 1,101,791 | 1,098,498 | 959,124 | 139,374 |
| Fire | 234,559 | 233,858 | 204,187 | 29,671 |
| Public Health Services | 9,882 | 9,852 | 8,602 | 1,250 |
| Community Environment | 116,563 | 116,215 | 101,470 | 14,745 |
| Transportation | 66,972 | 66,772 | 58,300 | 8,472 |
| Leisure Time Activities | 156,992 | 156,523 | 136,664 | 19,859 |
| <i>Total Disbursements</i> | <u>3,209,758</u> | <u>3,200,165</u> | <u>2,794,139</u> | <u>406,026</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>(399,020)</u> | <u>(402,822)</u> | <u>335,205</u> | <u>738,027</u> |
| Other Financing Sources (Uses) | | | | |
| Advances In | 417,309 | 417,309 | 95,373 | (321,936) |
| Advances Out | (238,811) | (238,811) | (136,726) | 102,085 |
| Transfers Out | (969,696) | (969,696) | (934,709) | 34,987 |
| <i>Total Other Financing Sources (Uses)</i> | <u>(791,198)</u> | <u>(791,198)</u> | <u>(976,062)</u> | <u>(184,864)</u> |
| <i>Net Change in Fund Balance</i> | (1,190,218) | (1,194,020) | (640,857) | 553,163 |
| <i>Fund Balance Beginning of Year</i> | 1,242,290 | 1,242,290 | 1,242,290 | 0 |
| Prior Year Encumbrances Appropriated | 29,462 | 29,462 | 29,462 | 0 |
| <i>Fund Balance End of Year</i> | <u>\$81,534</u> | <u>\$77,732</u> | <u>\$630,895</u> | <u>\$553,163</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)*
Tax Increment Financing Special Revenue Fund
For the Year Ended December 31, 2010

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | Variance with |
|--|-------------------------|-------------------------|-------------------------|---------------------------------|
| | <u>Original</u> | <u>Final</u> | | Final Budget Over (Under) |
| Receipts | | | | |
| Payments in Lieu of Taxes | \$122,500 | \$127,376 | \$127,376 | \$0 |
| Disbursements | | | | |
| Current: | | | | |
| Transportation | <u>304,904</u> | <u>6,065</u> | <u>6,065</u> | <u>0</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | (182,404) | 121,311 | 121,311 | 0 |
| Other Financing Uses | | | | |
| Transfers Out | <u>(28,916)</u> | <u>(28,916)</u> | <u>(28,916)</u> | <u>0</u> |
| <i>Net Change in Fund Balance</i> | (211,320) | 92,395 | 92,395 | 0 |
| <i>Fund Balance Beginning of Year</i> | <u>407,400</u> | <u>407,400</u> | <u>407,400</u> | <u>0</u> |
| <i>Fund Balance End of Year</i> | <u><u>\$196,080</u></u> | <u><u>\$499,795</u></u> | <u><u>\$499,795</u></u> | <u><u>\$0</u></u> |

See accompanying notes to the basic financial statements

Village of the City of Gallipolis, Ohio

Statement of Fund Net Assets - Cash Basis

Proprietary Funds

December 31, 2010

| | Business-Type Activities | | | Governmental |
|--|--------------------------|------------------|------------------------------|-----------------------------|
| | Water Fund | Sewer Fund | Total Enterprise Funds | Internal Service Fund |
| Assets | | | | |
| Current Assets: | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$565,441 | \$387,297 | \$952,738 | \$0 |
| Cash in Segregated Accounts | 0 | 0 | 0 | 101,786 |
| Internal Balance | 20,556 | 17,689 | 38,245 | 0 |
| <i>Total Assets</i> | <u>\$585,997</u> | <u>\$404,986</u> | <u>\$990,983</u> | <u>\$101,786</u> |
| Net Assets | | | | |
| Unrestricted | <u>\$585,997</u> | <u>\$404,986</u> | <u>\$990,983</u> | <u>\$101,786</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*
Proprietary Funds
For the Year Ended December 31, 2010

| | Business-Type Activities | | | Governmental |
|---|--------------------------|------------------|------------------------------|-----------------------------|
| | Water Fund | Sewer Fund | Total Enterprise Funds | Internal Service Fund |
| Operating Receipts | | | | |
| Charges for Services | \$1,548,130 | \$1,362,051 | \$2,910,181 | \$84,967 |
| Other Operating Receipts | 4,084 | 7,429 | 11,513 | 0 |
| <i>Total Operating Receipts</i> | <u>1,552,214</u> | <u>1,369,480</u> | <u>2,921,694</u> | <u>84,967</u> |
| Operating Disbursements | | | | |
| Salaries and Benefits | 667,748 | 522,250 | 1,189,998 | 0 |
| Contractual Services | 301,697 | 260,637 | 562,334 | 68,386 |
| Materials and Supplies | 168,248 | 98,854 | 267,102 | 0 |
| Capital Outlay | 238,655 | 536,399 | 775,054 | 0 |
| <i>Total Operating Disbursements</i> | <u>1,376,348</u> | <u>1,418,140</u> | <u>2,794,488</u> | <u>68,386</u> |
| <i>Operating Income (Loss)</i> | <u>175,866</u> | <u>(48,660)</u> | <u>127,206</u> | <u>16,581</u> |
| Non-Operating Receipts (Disbursements) | | | | |
| Investment Earnings | 0 | 0 | 0 | 33 |
| Loan Proceeds | 33,482 | 60,219 | 93,701 | 0 |
| Capital Grants | 138,883 | 249,785 | 388,668 | 0 |
| Customer Deposits Received | 9,146 | 0 | 9,146 | 0 |
| Customer Deposits Returned | (7,153) | 0 | (7,153) | 0 |
| Debt Service Principal | (345,217) | (266,414) | (611,631) | 0 |
| Interest and Fiscal Charges | (77,861) | (59,045) | (136,906) | 0 |
| <i>Total Non Operating Receipts (Disbursements)</i> | <u>(248,720)</u> | <u>(15,455)</u> | <u>(264,175)</u> | <u>33</u> |
| <i>Change in Net Assets</i> | <u>(72,854)</u> | <u>(64,115)</u> | <u>(136,969)</u> | <u>16,614</u> |
| <i>Net Assets Beginning of Year</i> | <u>658,851</u> | <u>469,101</u> | <u>1,127,952</u> | <u>85,172</u> |
| <i>Net Assets End of Year</i> | <u>\$585,997</u> | <u>\$404,986</u> | <u>\$990,983</u> | <u>\$101,786</u> |

See accompanying notes to the basic financial statements

Village of the City of Gallipolis, Ohio
Statement of Fiduciary Net Assets - Cash Basis
Municipal Court Agency Fund
December 31, 2010

Assets

| | |
|--|------------------|
| Cash and Cash Equivalents in Segregated Accounts | <u>\$237,200</u> |
|--|------------------|

Net Assets

| | |
|-----------------------|------------------|
| Restricted for Others | <u>\$237,200</u> |
|-----------------------|------------------|

See accompanying notes to the basic financial statements

Village of the City of Gallipolis, Ohio

Statement of Net Assets - Cash Basis

December 31, 2009

| | Governmental Activities | Business-Type Activities | Total |
|--|----------------------------|-----------------------------|--------------------|
| Assets | | | |
| Equity in Pooled Cash and Cash Equivalents | \$2,983,953 | \$1,095,626 | \$4,079,579 |
| Cash in Segregated Accounts | 85,172 | 0 | 85,172 |
| Internal Balances | (32,326) | 32,326 | 0 |
| <i>Total Assets</i> | <u>\$3,036,799</u> | <u>\$1,127,952</u> | <u>\$4,164,751</u> |
| Net Assets | | | |
| Restricted for: | | | |
| Street | \$469,494 | \$0 | \$469,494 |
| Police | 161,697 | 0 | 161,697 |
| Fire | 169,854 | 0 | 169,854 |
| Cemetery | 36,019 | 0 | 36,019 |
| Recreation | 53,824 | 0 | 53,824 |
| Court | 279,723 | 0 | 279,723 |
| Capital Improvements | 465,296 | 0 | 465,296 |
| Unclaimed Monies | 16,373 | 0 | 16,373 |
| Other Purposes | 48,852 | 0 | 48,852 |
| Perpetual Care - Nonexpendable | 27,442 | 0 | 27,442 |
| Unrestricted | <u>1,308,225</u> | <u>1,127,952</u> | <u>2,436,177</u> |
| <i>Total Net Assets</i> | <u>\$3,036,799</u> | <u>\$1,127,952</u> | <u>\$4,164,751</u> |

See accompanying notes to the basic financial statements

Village of the City of Gallipolis, Ohio
Statement of Activities - Cash Basis
For the Year Ended December 31, 2009

| | 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 | \$1,206,585 | \$487,506 | \$0 | \$0 | (\$719,079) | \$0 | (\$719,079) |
| General Government - Court | 579,991 | 734,143 | 45,675 | 0 | 199,827 | 0 | 199,827 |
| Security of Persons and Property: | | | | | | | |
| Police | 1,093,317 | 53,098 | 46,208 | 0 | (994,011) | 0 | (994,011) |
| Fire | 212,080 | 117,308 | 66,928 | 0 | (27,844) | 0 | (27,844) |
| Public Health Services | 155,667 | 40,109 | 2,000 | 0 | (113,558) | 0 | (113,558) |
| Community Environment | 111,941 | 13,201 | 6,938 | 0 | (91,802) | 0 | (91,802) |
| Transportation | 387,005 | 72,025 | 197,993 | 138,234 | 21,247 | 0 | 21,247 |
| Leisure Time Activities | 285,745 | 74,685 | 1,330 | 0 | (209,730) | 0 | (209,730) |
| Capital Outlay | 329,846 | 0 | 0 | 0 | (329,846) | 0 | (329,846) |
| Debt Service: | | | | | | | |
| Principal Retirement | 249,092 | 0 | 0 | 0 | (249,092) | 0 | (249,092) |
| Interest and Fiscal Charges | 99,591 | 0 | 0 | 0 | (99,591) | 0 | (99,591) |
| <i>Total Governmental Activities</i> | <u>4,710,860</u> | <u>1,592,075</u> | <u>367,072</u> | <u>138,234</u> | <u>(2,613,479)</u> | <u>0</u> | <u>(2,613,479)</u> |
| Business-Type Activities | | | | | | | |
| Water | 1,528,203 | 1,529,662 | 0 | 0 | 0 | 1,459 | 1,459 |
| Sewer | 1,264,801 | 1,286,010 | 0 | 0 | 0 | 21,209 | 21,209 |
| <i>Total Business-Type Activities</i> | <u>2,793,004</u> | <u>2,815,672</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>22,668</u> | <u>22,668</u> |
| Total | <u>\$7,503,864</u> | <u>\$4,407,747</u> | <u>\$367,072</u> | <u>\$138,234</u> | <u>(2,613,479)</u> | <u>22,668</u> | <u>(2,590,811)</u> |
| General Receipts | | | | | | | |
| Property Taxes Levied for: | | | | | | | |
| General Purposes | | | | | | | |
| | | | | | 190,855 | 0 | 190,855 |
| Fire | | | | | | | |
| | | | | | 117,664 | 0 | 117,664 |
| Income Taxes Levied for General Purposes | | | | | | | |
| | | | | | 1,660,511 | 0 | 1,660,511 |
| Payments in Lieu of Taxes | | | | | | | |
| | | | | | 277,852 | 0 | 277,852 |
| Franchise Fees | | | | | | | |
| | | | | | 58,127 | 0 | 58,127 |
| Grants and Entitlements not Restricted to Specific Programs | | | | | | | |
| | | | | | 257,611 | 0 | 257,611 |
| Investment Earnings | | | | | | | |
| | | | | | 100,752 | 0 | 100,752 |
| Donations and Contributions | | | | | | | |
| | | | | | 2,470 | 0 | 2,470 |
| Miscellaneous | | | | | | | |
| | | | | | 34,595 | 7,578 | 42,173 |
| <i>Total General Receipts</i> | | | | | | | |
| | | | | | 2,700,437 | 7,578 | 2,708,015 |
| Advances | | | | | | | |
| | | | | | (412,260) | 412,260 | 0 |
| <i>Total General Receipts and Advances</i> | | | | | | | |
| | | | | | 2,288,177 | 419,838 | 2,708,015 |
| Change in Net Assets | | | | | | | |
| | | | | | (325,302) | 442,506 | 117,204 |
| <i>Net Assets Beginning of Year - Restated (See Note 3)</i> | | | | | | | |
| | | | | | 3,362,101 | 685,446 | 4,047,547 |
| <i>Net Assets End of Year</i> | | | | | | | |
| | | | | | <u>\$3,036,799</u> | <u>\$1,127,952</u> | <u>\$4,164,751</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, 2009

| | General | Tax Increment Financing | Court Capital Improvement | Other Governmental Funds | Total Governmental Funds |
|--|--------------------|-------------------------------|---------------------------------|--------------------------------|--------------------------------|
| Assets | | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$1,255,379 | \$407,400 | \$418,521 | \$886,280 | \$2,967,580 |
| Restricted Assets: | | | | | |
| Equity in Pooled Cash and Cash Equivalents | 16,373 | 0 | 0 | 0 | 16,373 |
| <i>Total Assets</i> | <u>\$1,271,752</u> | <u>\$407,400</u> | <u>\$418,521</u> | <u>\$886,280</u> | <u>\$2,983,953</u> |
| Fund Balances | | | | | |
| Reserved for Encumbrances | \$29,462 | \$0 | \$0 | \$246,625 | \$276,087 |
| Reserved for Endowments | 0 | 0 | 0 | 27,442 | 27,442 |
| Reserved for Unclaimed Monies | 16,373 | 0 | 0 | 0 | 16,373 |
| Unreserved: | | | | | |
| Undesignated, Reported in: | | | | | |
| General Fund | 1,225,917 | 0 | 0 | 0 | 1,225,917 |
| Special Revenue Funds | 0 | 407,400 | 0 | 611,688 | 1,019,088 |
| Capital Projects Funds | 0 | 0 | 418,521 | 525 | 419,046 |
| <i>Total Fund Balances</i> | <u>\$1,271,752</u> | <u>\$407,400</u> | <u>\$418,521</u> | <u>\$886,280</u> | <u>2,983,953</u> |

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

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

52,846

Net Assets of Governmental Activities

\$3,036,799

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, 2009

| | General | Tax Increment Financing | Court Capital Improvement | Other Governmental Funds | Total Governmental Funds |
|--|--------------------|-------------------------------|---------------------------------|--------------------------------|--------------------------------|
| Receipts | | | | | |
| Property and Other Local Taxes | \$190,855 | \$0 | \$0 | \$117,664 | \$308,519 |
| Municipal Income Taxes | 1,660,511 | 0 | 0 | 0 | 1,660,511 |
| Permissive Motor Vehicle License Taxes | 0 | 0 | 0 | 50,664 | 50,664 |
| Payment in Lieu of Taxes | 0 | 277,852 | 0 | 0 | 277,852 |
| Charges for Services | 373,217 | 0 | 0 | 380,307 | 753,524 |
| Fines, Licenses, and Permits | 411,365 | 0 | 164,453 | 211,423 | 787,241 |
| Franchise Fees | 58,127 | 0 | 0 | 0 | 58,127 |
| Intergovernmental | 257,611 | 0 | 0 | 497,803 | 755,414 |
| Investment Earnings | 100,678 | 0 | 0 | 1,078 | 101,756 |
| Donations | 2,470 | 0 | 0 | 7,071 | 9,541 |
| Miscellaneous | 33,264 | 0 | 0 | 1,331 | 34,595 |
| <i>Total Receipts</i> | <u>3,088,098</u> | <u>277,852</u> | <u>164,453</u> | <u>1,267,341</u> | <u>4,797,744</u> |
| Disbursements | | | | | |
| Current: | | | | | |
| General Government | 971,233 | 0 | 0 | 243,581 | 1,214,814 |
| General Government - Court | 309,039 | 0 | 0 | 274,385 | 583,424 |
| Security of Persons and Property: | | | | | |
| Police | 998,556 | 0 | 0 | 105,750 | 1,104,306 |
| Fire | 181,743 | 0 | 0 | 31,029 | 212,772 |
| Public Health Services | 6,730 | 0 | 0 | 149,698 | 156,428 |
| Community Environment | 113,638 | 0 | 0 | 0 | 113,638 |
| Transportation | 48,377 | 94,398 | 0 | 246,748 | 389,523 |
| Leisure Time Activities | 103,447 | 0 | 0 | 182,851 | 286,298 |
| Capital Outlay | 0 | 0 | 77,568 | 252,278 | 329,846 |
| Debt Service: | | | | | |
| Principal Retirement | 0 | 0 | 0 | 249,092 | 249,092 |
| Interest and Fiscal Charges | 0 | 0 | 0 | 99,591 | 99,591 |
| <i>Total Disbursements</i> | <u>2,732,763</u> | <u>94,398</u> | <u>77,568</u> | <u>1,835,003</u> | <u>4,739,732</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>355,335</u> | <u>183,454</u> | <u>86,885</u> | <u>(567,662)</u> | <u>58,012</u> |
| Other Financing Sources (Uses) | | | | | |
| Advances In | 10,100 | 0 | 0 | 219,374 | 229,474 |
| Advances Out | (626,634) | 0 | 0 | (15,100) | (641,734) |
| Transfers In | 0 | 0 | 0 | 787,253 | 787,253 |
| Transfers Out | (526,080) | (51,465) | 0 | (209,708) | (787,253) |
| <i>Total Other Financing Sources (Uses)</i> | <u>(1,142,614)</u> | <u>(51,465)</u> | <u>0</u> | <u>781,819</u> | <u>(412,260)</u> |
| <i>Net Change in Fund Balances</i> | <u>(787,279)</u> | <u>131,989</u> | <u>86,885</u> | <u>214,157</u> | <u>(354,248)</u> |
| <i>Fund Balances Beginning of Year - Restated (See Note 3)</i> | | | | | |
| | <u>2,059,031</u> | <u>275,411</u> | <u>331,636</u> | <u>672,123</u> | <u>3,338,201</u> |
| <i>Fund Balances End of Year</i> | <u>\$1,271,752</u> | <u>\$407,400</u> | <u>\$418,521</u> | <u>\$886,280</u> | <u>\$2,983,953</u> |

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

The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund receipts are eliminated. The net receipts (disbursements) of the internal service fund is allocated among the governmental activities.

28,946

Change in Net Assets of Governmental Activities

(\$325,302)

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, 2009

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | Variance with |
|--|-------------------------|--------------------|--------------------|---------------------------------|
| | <u>Original</u> | <u>Final</u> | | Final Budget Over (Under) |
| Receipts | | | | |
| Property and Other Taxes | \$157,822 | \$190,855 | \$190,855 | \$0 |
| Municipal Income Taxes | 1,364,417 | 1,650,000 | 1,660,511 | 10,511 |
| Charges for Services | 307,980 | 372,442 | 373,217 | 775 |
| Fines, Licenses, and Permits | 339,508 | 410,570 | 411,365 | 795 |
| Franchise Fees | 47,675 | 57,654 | 58,127 | 473 |
| Intergovernmental | 212,300 | 256,736 | 257,611 | 875 |
| Investment Earnings | 83,253 | 100,678 | 100,678 | 0 |
| Donations | 2,043 | 2,470 | 2,470 | 0 |
| Miscellaneous | 21,718 | 26,264 | 33,264 | 7,000 |
| <i>Total Receipts</i> | <u>2,536,716</u> | <u>3,067,669</u> | <u>3,088,098</u> | <u>20,429</u> |
| Disbursements | | | | |
| Current: | | | | |
| General Government | 1,148,474 | 1,155,816 | 972,874 | 182,942 |
| General Government - Court | 327,933 | 329,591 | 309,046 | 20,545 |
| Security of Persons and Property: | | | | |
| Police | 923,470 | 995,270 | 1,004,867 | (9,597) |
| Fire | 213,893 | 217,143 | 201,919 | 15,224 |
| Public Health Services | 44,300 | 44,300 | 6,730 | 37,570 |
| Community Environment | 109,004 | 115,034 | 113,638 | 1,396 |
| Transportation | 47,000 | 50,000 | 49,704 | 296 |
| Leisure Time Activities | 117,538 | 118,286 | 103,447 | 14,839 |
| <i>Total Disbursements</i> | <u>2,931,612</u> | <u>3,025,440</u> | <u>2,762,225</u> | <u>263,215</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>(394,896)</u> | <u>42,229</u> | <u>325,873</u> | <u>283,644</u> |
| Other Financing Sources (Uses) | | | | |
| Advances In | 293,740 | 355,222 | 10,100 | (345,122) |
| Advances Out | (121,529) | (352,622) | (626,634) | (274,012) |
| Transfers Out | (404,228) | (1,172,890) | (526,080) | 646,810 |
| <i>Total Other Financing Sources (Uses)</i> | <u>(232,017)</u> | <u>(1,170,290)</u> | <u>(1,142,614)</u> | <u>27,676</u> |
| <i>Net Change in Fund Balance</i> | (626,913) | (1,128,061) | (816,741) | 311,320 |
| <i>Fund Balance Beginning of Year - Restated</i> | 2,044,763 | 2,044,763 | 2,044,763 | 0 |
| Prior Year Encumbrances Appropriated | 14,268 | 14,268 | 14,268 | 0 |
| <i>Fund Balance End of Year</i> | <u>\$1,432,118</u> | <u>\$930,970</u> | <u>\$1,242,290</u> | <u>\$311,320</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)*
Tax Increment Financing Special Revenue Fund
For the Year Ended December 31, 2009

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with Final Budget Over (Under)</u> |
|--|-------------------------|-------------------------|-------------------------|--|
| | <u>Original</u> | <u>Final</u> | | |
| Receipts | | | | |
| Payments in Lieu of Taxes | \$130,345 | \$277,852 | \$277,852 | \$0 |
| Disbursements | | | | |
| Current: | | | | |
| Transportation | <u>93,000</u> | <u>98,790</u> | <u>94,398</u> | <u>4,392</u> |
| <i>Excess of Receipts Over Disbursements</i> | 37,345 | 179,062 | 183,454 | 4,392 |
| Other Financing Uses | | | | |
| Transfers Out | <u>(51,465)</u> | <u>(51,465)</u> | <u>(51,465)</u> | <u>0</u> |
| <i>Net Change in Fund Balance</i> | (14,120) | 127,597 | 131,989 | 4,392 |
| <i>Fund Balance Beginning of Year - Restated</i> | <u>275,411</u> | <u>275,411</u> | <u>275,411</u> | <u>0</u> |
| <i>Fund Balance End of Year</i> | <u><u>\$261,291</u></u> | <u><u>\$403,008</u></u> | <u><u>\$407,400</u></u> | <u><u>\$4,392</u></u> |

See accompanying notes to the basic financial statements

Village of the City of Gallipolis, Ohio

Statement of Fund Net Assets - Cash Basis

Proprietary Funds

December 31, 2009

| | Business-Type Activities | | | Governmental |
|--|--------------------------|------------------|------------------------------|-----------------------------|
| | Water Fund | Sewer Fund | Total Enterprise Funds | Internal Service Fund |
| Assets | | | | |
| Current Assets: | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$641,669 | \$453,957 | \$1,095,626 | \$0 |
| Cash in Segregated Accounts | 0 | 0 | 0 | 85,172 |
| Internal Balance | 17,182 | 15,144 | 32,326 | 0 |
| <i>Total Assets</i> | <u>\$658,851</u> | <u>\$469,101</u> | <u>\$1,127,952</u> | <u>\$85,172</u> |
| Net Assets | | | | |
| Unrestricted | <u>\$658,851</u> | <u>\$469,101</u> | <u>\$1,127,952</u> | <u>\$85,172</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*
Proprietary Funds
For the Year Ended December 31, 2009

| | Business-Type Activities | | | Governmental |
|---|--------------------------|------------------|------------------------------|-----------------------------|
| | Water Fund | Sewer Fund | Total Enterprise Funds | Internal Service Fund |
| Operating Receipts | | | | |
| Charges for Services | \$1,521,256 | \$1,286,010 | \$2,807,266 | \$83,187 |
| Other Operating Receipts | 1,437 | 6,141 | 7,578 | 0 |
| <i>Total Operating Receipts</i> | <u>1,522,693</u> | <u>1,292,151</u> | <u>2,814,844</u> | <u>83,187</u> |
| Operating Disbursements | | | | |
| Salaries and Benefits | 650,914 | 530,170 | 1,181,084 | 0 |
| Contractual Services | 296,213 | 259,600 | 555,813 | 37,839 |
| Materials and Supplies | 129,423 | 101,132 | 230,555 | 0 |
| Capital Outlay | 45,715 | 26,507 | 72,222 | 0 |
| <i>Total Operating Disbursements</i> | <u>1,122,265</u> | <u>917,409</u> | <u>2,039,674</u> | <u>37,839</u> |
| <i>Operating Income</i> | <u>400,428</u> | <u>374,742</u> | <u>775,170</u> | <u>45,348</u> |
| Non-Operating Receipts (Disbursements) | | | | |
| Investment Earnings | 0 | 0 | 0 | 74 |
| Customer Deposits Received | 8,406 | 0 | 8,406 | 0 |
| Customer Deposits Returned | (6,180) | 0 | (6,180) | 0 |
| Debt Service Principal | (309,070) | (278,284) | (587,354) | 0 |
| Interest and Fiscal Charges | (90,688) | (69,108) | (159,796) | 0 |
| <i>Total Non Operating Receipts (Disbursements)</i> | <u>(397,532)</u> | <u>(347,392)</u> | <u>(744,924)</u> | <u>74</u> |
| <i>Change in Net Assets before Advances</i> | 2,896 | 27,350 | 30,246 | 45,422 |
| Advance In | 0 | 412,260 | 412,260 | 0 |
| <i>Change in Net Assets</i> | 2,896 | 439,610 | 442,506 | 45,422 |
| <i>Net Assets Beginning of Year - Restated (See Note 3)</i> | <u>655,955</u> | <u>29,491</u> | <u>685,446</u> | <u>39,750</u> |
| <i>Net Assets End of Year</i> | <u>\$658,851</u> | <u>\$469,101</u> | <u>\$1,127,952</u> | <u>\$85,172</u> |

See accompanying notes to the basic financial statements

Village of the City of Gallipolis, Ohio
Statement of Fiduciary Net Assets - Cash Basis
Municipal Court Agency Fund
December 31, 2009

Assets

| | |
|--|------------------|
| Cash and Cash Equivalents in Segregated Accounts | <u>\$259,076</u> |
|--|------------------|

Net Assets

| | |
|-----------------------|------------------|
| Restricted for Others | <u>\$259,076</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, 2010 and 2009

Note 1 - Description of the Village and the Reporting Entity

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

Reporting Entity

The financial reporting entity consists of the primary government, component units, and other governmental organizations that are included to ensure 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 proprietary funds. Following are the more significant of the Village's accounting policies.

A. Basis of Presentation

The Village's basic financial statements consist of government-wide statements, including a statement of net 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, 2010 and 2009

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 three categories of funds utilized by the Village: governmental, proprietary, and fiduciary.

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. 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.

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

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

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

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

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

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

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

Fiduciary Funds Fiduciary fund reporting focuses on net assets and changes in net assets. There are four categories of fiduciary funds; pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the Village under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the Village's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Village's only fiduciary fund is an agency fund which accounts for municipal court collections that are distributed to the State and various local governments.

C. Basis of Accounting

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

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

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.

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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 for the self-insurance internal service fund. This interest bearing depository account is presented in the financial statements as "cash in segregated accounts" and represents deposits.

Interest earnings are allocated to Village funds according to State statutes, grants requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2010 amounted to \$94,640, which includes \$78,122 assigned from other Village funds. Interest receipts credited to the General Fund during 2009 amounted to \$100,678, which includes \$69,293 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.

Village of the City of Gallipolis, Ohio
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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 10 and 11, the employer contributions include portions for pension benefits and for postretirement health care benefits.

L. Long-Term Obligations

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

M. Net 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.

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

N. Fund Balance 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, endowments, 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 statements are reported in the same manner as general revenues. Transfers between governmental activities are eliminated. Internal allocations of overhead expenses from one program to another or within the same program are eliminated on the Statement of Activities. Payments of interfund services provided and used are not eliminated.

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

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Note 3 - Restatement of Prior Year Balances

During 2009, the Village reimbursed the General Fund interest that had been incorrectly posted to other funds. This had the following effects on balances as previously reported at December 31, 2008:

| | Governmental Activities | Business-Type Activities | Sewer Fund | Water Fund |
|-----------------------------------|----------------------------|-----------------------------|------------------|------------------|
| Net Assets as | | | | |
| Previously Reported | \$2,669,529 | \$1,378,018 | \$441,751 | \$936,267 |
| Interest Adjustment | 692,572 | (692,572) | (412,260) | (280,312) |
| Net Assets - December 31, 2008 | <u>\$3,362,101</u> | <u>\$685,446</u> | <u>\$29,491</u> | <u>\$655,955</u> |
| | | Tax | Court | Other |
| | General | Increment | Capital | Governmental |
| | Fund | Financing | Improvement | Funds |
| Fund Balances as | | | | |
| Previously Reported | \$1,072,552 | \$294,611 | \$381,235 | \$897,231 |
| Interest Adjustment | 986,479 | (19,200) | (49,599) | (225,108) |
| Fund Balances - December 31, 2008 | <u>\$2,059,031</u> | <u>\$275,411</u> | <u>\$331,636</u> | <u>\$672,123</u> |

Note 4 - Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund and each major special revenue fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis are outstanding year end encumbrances. These are treated as expenditures (budgetary basis) rather than as a reservation of fund balance (cash basis). The encumbrances outstanding at December 31, 2010, (budgetary basis) amounted to \$22,194 for the General Fund. The encumbrances outstanding at December 31, 2009, (budgetary basis) amounted to \$29,462 for the General Fund.

Note 5 - 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.

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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;
7. The State Treasurer's investment pool (STAROhio); and,
8. Commercial paper and bankers acceptances if training requirements have been met.

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

Deposits Custodial credit risk for deposits is the risk that in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. At December 31, 2010, \$3,778,645 of the Village's bank balance of \$4,245,531 was exposed to custodial credit risk because it was uninsured and uncollateralized. At December 31, 2009, \$3,769,523 of the Village's bank balance of \$4,507,879 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.

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

Note 6 – 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 7 - Property Taxes

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the Village. Property tax revenue received during 2010 for real and public utility property taxes represents collections of the 2009 taxes. Property tax payments received during 2010 for tangible personal property (other than public utility property) are for 2010 taxes.

2010 real property taxes are levied after October 1, 2010, on the assessed value as of January 1, 2010, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2010 real property taxes are collected in and intended to finance 2011.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2010 public utility property taxes became a lien December 31, 2009, are levied after October 1, 2010, and are collected in 2011 with real property taxes.

Tangible personal property tax revenue received during 2010 (other than public utility property tax) represents the collection of 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, furniture and fixtures is no longer levied and collected. Tangible personal property taxes received from telephone companies in 2010 were levied after October 1, 2009, on the value as of December 31, 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.

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The full tax rate for all Village operations for both years ended December 31, 2010 and 2009, was \$3.90 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2010 property tax receipts were based are as follows:

| | |
|----------------------------------|--------------|
| Real Property: | |
| Residential and Agricultural | \$38,787,460 |
| Commercial/Industrial/Mineral | 30,441,500 |
| Public Utility Personal Property | 2,517,293 |
| Other | 186,312 |
| Total Assessed Value | \$71,932,565 |

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

Note 8 – Interfund Receivables/Payables

A. Transfers

During 2010, the following transfers were made:

| Transfer to | Transfer from | | | Total |
|-----------------------------|----------------------|------------------------------------|-----------------------------------|--------------|
| | Major Funds | | | |
| | General Fund | Tax Increment Financing Fund | Other Nonmajor Governmental | |
| Other Nonmajor Governmental | \$934,709 | \$28,916 | \$183,836 | \$1,147,461 |

During 2009, the following transfers were made:

| Transfer to | Transfer from | | | Total |
|-----------------------------|----------------------|------------------------------------|-----------------------------------|--------------|
| | Major Funds | | | |
| | General Fund | Tax Increment Financing Fund | Other Nonmajor Governmental | |
| Other Nonmajor Governmental | \$526,080 | \$51,465 | \$209,708 | \$787,253 |

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

Village of the City of Gallipolis, Ohio
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B. Interfund Balances

For governmental activities, interfund balances at December 31, 2010, arise from the provision of cash flow resources from the General Fund, Court Probation Services Fund, and Court Capital Improvement Fund until the receipt of grant monies by the other governmental funds. The payable from the Sewer Fund to the General Fund resulted from interest receipts being incorrectly posted to the Sewer Fund in prior years. The reimbursement has not yet been made.

| | Interfund Receivables | Interfund Payables |
|---------------------------------------|--------------------------|-----------------------|
| General Fund | \$661,487 | \$0 |
| Other Governmental Funds: | | |
| Community Corrections | 0 | 12,000 |
| Assistance to Firefighters | 0 | 35,251 |
| Court Probation Services | 15,000 | 0 |
| Law Enforcement Funds | 0 | 220,601 |
| ODNR Litter Clean-up Grant | 0 | 2,000 |
| ODNR Playground Equipment Grant | 0 | 6,375 |
| Court Capital Improvement Fund | 12,000 | 0 |
| Sewer Enterprise Fund | 0 | 412,260 |
| Total all Funds | \$688,487 | \$688,487 |

Interfund balances at December 31, 2009, consist of the following:

| | Interfund Receivables | Interfund Payables |
|---------------------------------------|--------------------------|-----------------------|
| General Fund | \$620,134 | \$0 |
| Other Governmental Funds: | | |
| Community Corrections | 0 | 12,000 |
| Assistance to Firefighters | 0 | 91,373 |
| Court Probation Services | 5,000 | 0 |
| Law Enforcement Funds | 0 | 121,501 |
| Court Capital Improvement Fund | 12,000 | 0 |
| Sewer Enterprise Fund | 0 | 412,260 |
| Total all Funds | \$637,134 | \$637,134 |

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Note 9 - Risk Management

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

| <u>Property</u> | <u>Limit</u> | <u>Deductible</u> | |
|----------------------------|--------------------|-------------------|-------------------|
| Real and Personal Property | \$20,184,405 | \$2,500 | |
| | Limit (Per | | |
| <u>Liability</u> | <u>Occurrence)</u> | <u>Aggregate</u> | <u>Deductible</u> |
| Commercial General | \$3,000,000 | \$3,000,000 | \$10,000 |
| Employee Benefits | 1,000,000 | 3,000,000 | 1,000 |
| Law Enforcement | 3,000,000 | 3,000,000 | 5,000 |
| Public Entity Management | 3,000,000 | 3,000,000 | 5,000 |
| | Limit | Deductible | |
| <u>Auto</u> | <u>Limit</u> | <u>Deductible</u> | |
| Liability | \$3,000,000 | \$2,500 | |
| Medical Payments | 5,000 | 0 | |
| Uninsured Motorist | 25,000 | 0 | |
| Comprehensive | | 1,000 | |

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

Note 10 - Defined Benefit Pension Plans

A. Ohio Public Employees Retirement System

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

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

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Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2010, the members in state and local classifications contributed 10.0 percent of covered payroll and public safety and law enforcement members contributed 10.1 percent.

The Village's 2010 contribution rate was 14.0 percent, except for those plan members in law enforcement or public safety, for whom the Village's contribution was 17.63 percent of covered payroll. For 2010, a portion of the Village's contribution equal to 5.5 percent of covered payroll was allocated to fund the post-employment health care plan. Employer contribution rates are actuarially determined. State statute sets a maximum contribution rate for the Village of 14.0 percent, except for public safety and law enforcement, where the maximum employer contribution rate is 18.1 percent.

The Village's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2010, 2009, and 2008, were \$167,498, \$164,857, and \$130,143 respectively; 92 percent has been contributed for 2010 and 100 percent for 2009 and 2008. Contributions to the member-directed plan for 2010 were \$5,313 made by the Village and \$3,795 made by the plan members.

B. Ohio Police and Fire Pension Fund

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

Funding Policy - Plan members are required to contribute 10.0 percent of their annual covered salary, while employers are required to contribute 19.5 percent for police officers and 24.0 percent for firefighters. The Village's contributions to OP&F for police and firefighters were \$56,184 and \$6,140 for the year ended December 31, 2010, \$54,581 and \$6,194 for the year ended December 31, 2009, and \$53,770 and \$6,089 for the year ended December 31, 2008. 92 percent has been contributed for 2010 and 100 percent for 2009 and 2008.

Note 11 - Postemployment Benefits

A. Ohio Public Employees Retirement System

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

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

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

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

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2010, state and local government employers contributed at a rate of 14.0 percent of covered payroll, and public safety and law enforcement employers contributed at 17.63 percent. Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding post-employment health care benefits. The amount of employer contributions which were allocated to fund post-employment health care was 5.5 percent.

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

The Village's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2010, 2009, and 2008, were \$108,381, \$106,672, and \$130,143 respectively; 92 percent has been contributed for 2010 and 100 percent for 2009 and 2008.

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

B. Ohio Police and Fire Pension Fund

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

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

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

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

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For the Years Ended December 31, 2010 and 2009

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

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2010, the employer contribution allocated to the health care plan was 6.75 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Section 115 and 401(h).

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

The Village's contributions to OP&F for the healthcare plan for police and firefighters were \$29,744 and \$2,403 for the year ended December 31, 2010, \$28,896 and \$2,424 for the year ended December 31, 2009, and \$28,467 and \$2,383 for the year ended December 31, 2008.

Village of the City of Gallipolis, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2010 and 2009

Note 12 - Long-Term Obligations

Changes in long-term obligations of the Village during 2010 were as follows:

| | Principal Outstanding 12/31/08 | | Principal Outstanding 12/31/09 | | Principal Outstanding 12/31/10 | | Amounts Due in One Year |
|--|--------------------------------------|------------------|--------------------------------------|-----------------|--------------------------------------|--------------------|-------------------------------|
| | Deductions | | Additions | Deductions | | | |
| Governmental Activities: | | | | | | | |
| 2000 Evans Road State Infrastructure Bank Loan - 3.00% restated at December 31, 2008 | \$412,196 | \$28,576 | \$383,620 | \$0 | \$16,582 | \$367,038 | \$17,125 |
| 2005 Ameresco Energy Conservation Improvements Loan - 3.89% | 751,215 | 95,205 | 656,010 | 0 | 106,340 | 549,670 | 111,786 |
| Total Loans | 1,163,411 | 123,781 | 1,039,630 | 0 | 122,922 | 916,708 | 128,911 |
| Bond Anticipation Notes: | | | | | | | |
| 2002 Fire Truck - 4.68% | 217,314 | 39,487 | 177,827 | 0 | 41,383 | 136,444 | 43,370 |
| 2002 Pumper/Tanker - 4.48% | 152,959 | 14,906 | 138,053 | 0 | 15,591 | 122,462 | 16,307 |
| 2007 Municipal Building - 4.15% | 87,996 | 28,136 | 59,860 | 0 | 29,315 | 30,545 | 30,545 |
| Total Bond Anticipation Notes | 458,269 | 82,529 | 375,740 | 0 | 86,289 | 289,451 | 90,222 |
| General Obligation Bonds: | | | | | | | |
| 2002 Vehicles - 4.10% | 60,392 | 29,589 | 30,803 | 0 | 30,803 | 0 | 0 |
| 2002 Fire Station - 4.99 | 530,420 | 13,193 | 517,227 | 0 | 13,860 | 503,367 | 14,560 |
| Total General Obligation Bonds | 590,812 | 42,782 | 548,030 | 0 | 44,663 | 503,367 | 14,560 |
| Total Governmental Activities | \$2,212,492 | \$249,092 | \$1,963,400 | \$0 | \$253,874 | \$1,709,526 | \$233,693 |
| Business-Type Activities: | | | | | | | |
| 1993 OPWC Lift Station Loan - 0% | \$13,888 | \$9,259 | \$4,629 | \$0 | \$4,629 | \$0 | \$0 |
| 2010 OPWC Spruce Street Water and Sewer Improvements - 0% | 0 | 0 | 0 | 93,701 | 0 | 93,701 | 0 |
| 2005 Ameresco Energy Conservation Improvements Loan - 3.89% | 4,322,700 | 578,095 | 3,744,605 | 0 | 607,002 | 3,137,603 | 638,091 |
| Total Business-Type Activities | \$4,336,588 | \$587,354 | \$3,749,234 | \$93,701 | \$611,631 | \$3,231,304 | \$638,091 |

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

Principal and interest requirements to retire the Ameresco Energy Conservation Improvement Loan outstanding at December 31, 2010, are as follows:

Village of the City of Gallipolis, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2010 and 2009

| Year Ended December 31, | Governmental | | Business-Type | | Total | |
|----------------------------|------------------|-----------------|--------------------|------------------|--------------------|------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2011 | \$111,786 | \$19,769 | \$638,091 | \$112,846 | \$749,877 | \$132,615 |
| 2012 | 117,485 | 15,338 | 670,620 | 87,554 | 788,105 | 102,892 |
| 2013 | 123,446 | 10,682 | 704,652 | 60,975 | 828,098 | 71,657 |
| 2014 | 129,684 | 5,789 | 740,254 | 33,049 | 869,938 | 38,838 |
| 2015 | 67,269 | 983 | 383,986 | 5,611 | 451,255 | 6,594 |
| | <u>\$549,670</u> | <u>\$52,561</u> | <u>\$3,137,603</u> | <u>\$300,035</u> | <u>\$3,687,273</u> | <u>\$352,596</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. The Municipal Building Bond Anticipation Notes were issued on November 9, 2007, for \$115,000 and mature on November 9, 2011. These bond anticipation notes were issued for the purpose of financing the acquisition of the Davis Hall building. The notes will be retired through municipal income tax receipts.

Principal and interest requirements to retire the bond anticipation notes outstanding at December 31, 2010, are as follows:

| Year Ended December 31, | Principal | Interest | Total |
|----------------------------|------------------|-----------------|------------------|
| 2011 | \$90,222 | \$12,293 | \$102,515 |
| 2012 | 62,483 | 8,533 | 71,016 |
| 2013 | 65,473 | 5,543 | 71,016 |
| 2014 | 18,659 | 3,026 | 21,685 |
| 2015 | 19,515 | 2,169 | 21,684 |
| 2016-2017 | 33,099 | 1,612 | 34,711 |
| | <u>\$289,451</u> | <u>\$33,176</u> | <u>\$322,627</u> |

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

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 Fire Station General Obligation Bonds outstanding at December 31, 2010, are as follows:

Village of the City of Gallipolis, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2010 and 2009

| Year Ended December 31, | Principal | Interest | Total |
|----------------------------|------------------|------------------|------------------|
| 2011 | \$14,560 | \$24,939 | \$39,499 |
| 2012 | 15,295 | 24,203 | 39,498 |
| 2013 | 16,068 | 23,430 | 39,498 |
| 2014 | 16,880 | 22,618 | 39,498 |
| 2015 | 17,733 | 21,766 | 39,499 |
| 2016 - 2020 | 103,042 | 94,450 | 197,492 |
| 2011 - 2025 | 131,840 | 65,655 | 197,495 |
| 2026 - 2030 | 168,681 | 28,809 | 197,490 |
| 2031 | 19,268 | 481 | 19,749 |
| | <u>\$503,367</u> | <u>\$306,351</u> | <u>\$809,718</u> |

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

Principal and interest requirements to retire the State Infrastructure Bank Loan outstanding at December 31, 2010, are as follows:

| Year Ended December 31, | Principal | Interest | Total |
|----------------------------|------------------|------------------|------------------|
| 2011 | \$17,125 | \$10,840 | \$27,965 |
| 2012 | 17,685 | 10,321 | 28,006 |
| 2013 | 18,265 | 9,784 | 28,049 |
| 2014 | 18,863 | 9,230 | 28,093 |
| 2015 | 19,481 | 8,658 | 28,139 |
| 2016-2020 | 107,412 | 34,031 | 141,443 |
| 2021-2025 | 126,207 | 16,640 | 142,847 |
| 2026-2027 | 42,000 | 1,160 | 43,160 |
| | <u>\$367,038</u> | <u>\$100,664</u> | <u>\$467,702</u> |

The OPWC Lift Station Loan, originally obtained 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 was reflected in the Sewer Enterprise Fund which received the proceeds and repaid the debt.

The OPWC Spruce Street Water and Sewer Improvement Loan began draws in 2010 and was obtained to finance the improvements to water and sewer lines on Spruce Street. The loan activity will be reflected in the Sewer and Water Enterprise Funds which received the proceeds and will repay the debt. The full amount of the loan was not drawn at year end; therefore, an amortization schedule is not presented.

The Village's overall legal debt margin was \$5,843,393, with an unvoted debt margin of \$2,246,765 at December 31, 2010.

Village of the City of Gallipolis, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2010 and 2009

Note 13 - Contingencies

A. Grants

The Village receives financial assistance from federal and State agencies in the form of grants. Disbursing grant funds generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims through December 31, 2010, will not have a material adverse effect on the Village.

B. Litigation

The Village is currently not a party to any legal proceedings.

Perry & Associates
Certified Public Accountants, A.C.

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

June 24, 2011

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 years ended December 31, 2010 and 2009, which collectively comprise the Village's basic financial statements and have issued our report thereon dated June 24, 2011, 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 the purpose of expressing our opinion on the financial statements, but not for the purpose of opining 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 deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. *A material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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.

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*.

We intend this report solely for the information and use of management, Village Commissioners and others within the Village. We intend it for no one other than these specified parties.

Respectfully Submitted,



Perry and Associates
Certified Public Accountants, A.C.

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Dave Yost • Auditor of State

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
SEPTEMBER 6, 2011