

Gallipolis Township

Gallia County, Ohio

Regular Audit

For the Years Ended December 31, 2004 and 2003

BALESTRA, HARR & SCHERER, CPAs, INC.

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**Auditor of State
Betty Montgomery**

Board of Trustees
Gallipolis Township
1069 Second Avenue
Gallipolis, Ohio 45631

We have reviewed the *Independent Auditors' Report* of Gallipolis Township, Gallia County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2003 through December 31, 2004. 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. Gallipolis Township is responsible for compliance with these laws and regulations.

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BETTY MONTGOMERY
Auditor of State

January 9, 2006

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Gallipolis Township
 Gallia County, Ohio
 For the Years Ended December 31, 2004 and 2003
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Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

Independent Auditors' Report

Board of Trustees
Gallipolis Township
Gallia County, Ohio
1069 Second Avenue
Gallipolis, OH 45631

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund of Gallipolis Township, Gallia County, Ohio, (the Township) as of and for the years ended December 31, 2004 and 2003 which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 audits to obtain reasonable assurance about 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 that our audits provide a reasonable basis for our opinions.

As discussed in Note 1, 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.

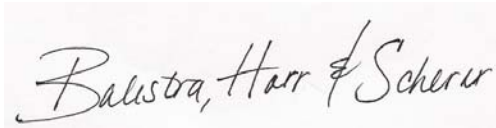
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities including each major fund and the remaining fund information of Gallipolis Township, Gallia County, Ohio as of December 31, 2004 and 2003, and the respective changes in cash basis financial position and the respective budgetary comparison for the General and the Gasoline Tax fund for 2004 and the General, Gasoline Tax and Miscellaneous Special Revenue Funds for 2003 thereof for the years then ended in conformity with the accounting basis Note 1 describes.

For the years ended December 31, 2004 and 2003, the Township revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, Basic Financial Statements – Management's Discussion and Analysis – for State and Local Governments and implement Governmental Accounting Standard No. 38, for certain financial statement note disclosures.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 16, 2005, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. It does not opine on the internal control over financial reporting or compliance. 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 considering the results of the audits.

Gallipolis Township
Independent Auditors' Report
Page 2

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

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored, slightly textured background.

Balestra, Harr & Scherer, CPAs, Inc.

May 16, 2005

Gallipolis Township, Gallia County
Management's Discussion and Analysis
For the Years Ended December 31, 2004 and 2003
Unaudited

This discussion and analysis of Gallipolis Township's (the Township's) financial performance provides an overall review of the Township's financial activities for the years ended December 31, 2004 and 2003, within the limitations of the Township's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Township's financial performance.

Highlights

Key highlights for 2004 and 2003 are as follows:

Net assets of governmental activities increased \$3,370, or 2.9 percent, in 2004, an insignificant change from 2003. Net assets of governmental activities decreased \$10,239, or 8 percent in 2003. The fund most affected by the increase in cash and cash equivalents in 2004 was the General Fund, which realized the greatest increase of revenue in 2004. The fund most affected by the decrease in 2003 was the Special Revenue Fund, which realized the greatest burden of expenditures in 2003.

The Township's general receipts are primarily property and gasoline taxes. These receipts represent respectively 27.6 and 52.1 percent of percent of the total cash received for governmental activities during 2004 and 26.4 and 38 percent of the total cash received for governmental activities during 2003. Property and gasoline tax receipts for 2004 and 2003 changed very little as development within the Township has slowed.

Using the Basic Financial Statements

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

Report Components

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

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

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

Gallipolis Township, Gallia County
Management's Discussion and Analysis
For the Years Ended December 31, 2004 and 2003
Unaudited

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Township has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Township'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 Township as a Whole

The statement of net assets and the statement of activities reflect how the Township did financially during 2004 and 2003, within the limitations of cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the Township at years end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Township's general receipts.

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

In the statement of net assets and the statement of activities, we divide the Township into one type of activity:

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

Gallipolis Township, Gallia County
Management's Discussion and Analysis
For the Years Ended December 31, 2004 and 2003
Unaudited

Reporting the Township's Most Significant Funds

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

Governmental Funds - All of the Township's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Township's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Township's programs. The Township's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Township's major governmental funds are the General Fund, Gasoline Tax Fund and Miscellaneous Special Revenue Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

The Township as a Whole

Table 1 provides a summary of the Township's net assets for 2004 compared to 2003 on a cash basis:

(Table 1)
Net Assets

	Governmental Activities	
	2004	2003
Assets		
Cash and Cash Equivalents	\$ 119,375	\$ 116,005
Total Assets	\$ 119,375	\$ 116,005
Net Assets		
Unrestricted	119,375	116,005
Total Net Assets	\$119,375	\$116,005

As mentioned previously, net assets of governmental activities increased \$3,370 or 2.9 percent during 2004. The primary reasons contributing to the decreases in cash balances are as follows:

- Special revenue fund receipts increased from 2003 to 2004 primarily through gasoline tax receipts.

Gallipolis Township, Gallia County
Management's Discussion and Analysis
For the Years Ended December 31, 2004 and 2003
Unaudited

Table 2 reflects the changes in net assets in 2004. Since the Township did not prepare financial statements in this format for 2002, a comparative analysis of government-wide data has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

(Table 2)
Changes in Net Assets

	Governmental Activities 2004	Governmental Activities 2003
Receipts:		
Program Receipts:		
Operating Grants and Contributions	\$71,052	\$79,956
Total Program Receipts	71,052	79,956
General Receipts:		
Property and Other Local Taxes	35,746	36,860
Income Taxes		
Grants and Entitlements Not Restricted to Specific Programs	19,275	19,159
Interest	461	578
Miscellaneous	2,897	2,848
Total General Receipts	58,379	59,445
Total Receipts	129,431	139,401
Disbursements:		
General Government	38,085	43,508
Security of Persons and Property:		
Public Safety	15,547	15,547
Public Works	46,918	84,870
Capital Outlay	25,511	5,715
Total Disbursements	126,061	149,640
Increase (Decrease) in Net Assets	3,370	(10,239)
Net Assets, January 1, 2004	116,005	126,244
Net Assets, December 31, 2004	\$119,375	\$116,005

Gallipolis Township, Gallia County
 Management's Discussion and Analysis
 For the Years Ended December 31, 2004 and 2003
 Unaudited

Program receipts represent 54.9 percent of total receipts in 2004 and 57.4 percent of total receipts in 2003 and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money.

General receipts represent 45.1 percent of the Township's total receipts for 2004 and 42.6 percent of the Township's total receipts for 2003, and of this amount, 61.2 percent are local taxes in 2004 and 62 percent are local taxes in 2003. Grants and entitlements not restricted to Specific Programs represents 33 percent of general receipts for 2004 and 32.2 percent of general receipts for 2003. Other receipts are insignificant and somewhat unpredictable revenue sources.

Disbursements for General Government represent the overhead costs of running the Township and the support services provided for the other Township activities. These include the costs of council, and the auditor, treasurer, and income tax departments, as well as internal services such as payroll and purchasing.

Governmental Activities

If you look at the Statement of Activities on pages 11 and 12, you will see that the first column lists the major services provided by the Township. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for general government and public works, which account for 30.2 and 37.2 percent of all governmental disbursements, respectively. The next column of the Statement entitled Program Cash Receipts identifies amounts paid by people who are directly charged for the service and grants received by the Township that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

	Governmental Activities			
	Total Cost Of Services	Total Cost Of Services	Net Cost of Services	Net Cost of Services
	2004	2003	2004	2003
General Government	\$38,085	\$43,508	38,085	43,508
Public Safety	15,547	15,547	15,547	15,547
Public Works	46,918	8,870	(24,134)	4,914
Capital Outlay	25,511	5,715	25,511	5,715
Total Expenses	\$126,061	\$73,640	\$55,009	\$69,684

Gallipolis Township, Gallia County
Management's Discussion and Analysis
For the Years Ended December 31, 2004 and 2003
Unaudited

The Township's Funds

Total governmental funds had receipts of \$129,431 and disbursements of \$126,061 in 2004 and receipts of \$139,401 and disbursements of \$149,640 in 2003. The greatest change within governmental funds occurred within the Gasoline Tax Fund. The fund balance of the Gasoline Tax Fund increased \$14,363 as the result of increased gas tax receipts from the county.

General Fund Budgeting Highlights

The Township's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances.

During the course of fiscal year 2004 and 2003 the Township amended its General Fund budget several times. The Township uses fund based budgeting and the budgeting systems are designed to tightly control total fund budgets but provide flexibility for fund management.

For the General Fund, the budget basis receipts for 2004 and 2003 were \$53,559 and \$53,424. The total actual disbursements for the budget basis for 2004 and 2003 were \$67,625 and \$65,307. This was \$11,907 and \$9,468 more than budgeted cash receipts for 2004 and 2003.

Capital Assets Administration

Capital Assets

The Township does not currently keep track of its capital assets and infrastructure. The Township has acquired a software package to accomplish this task and is in the process of entering the necessary information. It is anticipated that this program will be fully functional for 2006 but reductions in staff may delay the implementation.

Current Financial Related Activities

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

Contacting the Township's Financial Management

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

Gallipolis Township, Gallia County

Statement of Net Assets - Cash Basis

December 31, 2004

	<u>Governmental Activities</u>	<u>Total</u>
Assets		
Equity in Pooled Cash and Cash Equivalents	<u>\$119,375</u>	<u>\$119,375</u>
<i>Total Assets</i>	<u><u>\$119,375</u></u>	<u><u>\$119,375</u></u>
Net Assets		
Unrestricted	<u>119,375</u>	<u>119,375</u>
<i>Total Net Assets</i>	<u><u>\$119,375</u></u>	<u><u>\$119,375</u></u>

See accompanying notes to the basic financial statements

Gallipolis Township, Gallia County

Statement of Net Assets - Cash Basis

December 31, 2003

	<u>Governmental Activities</u>	<u>Total</u>
Assets		
Equity in Pooled Cash and Cash Equivalents	<u>\$116,005</u>	<u>\$116,005</u>
<i>Total Assets</i>	<u><u>\$116,005</u></u>	<u><u>\$116,005</u></u>
Net Assets		
Unrestricted	<u>116,005</u>	<u>116,005</u>
<i>Total Net Assets</i>	<u><u>\$116,005</u></u>	<u><u>\$116,005</u></u>

See accompanying notes to the basic financial statements

Gallipolis Township, Gallia County

*Statement of Activities - Cash Basis
For the Year Ended December 31, 2004*

	<u>Cash</u>	<u>Program Cash Receipts</u>	<u>Net (Disbursements)</u> <u>Receipts and Changes</u> <u>in Net Assets</u>
	<u>Disbursements</u>	<u>Operating</u> <u>Grants and</u> <u>Contributions</u>	<u>Governmental</u> <u>Activities</u>
Governmental Activities			
General Government	\$38,085	\$0	(\$38,085)
Public Safety	15,547	0	(\$15,547)
Public Works	46,918	71,052	\$24,134
Capital Outlay	<u>25,511</u>	<u>0</u>	<u>(\$25,511)</u>
<i>Total Governmental Activities</i>	126,061	71,052	(55,009)
General Receipts			
Property Taxes Levied for:			
General Purposes			35,746
Grants and Entitlements not Restricted to Specific Programs			19,275
Interest			461
Miscellaneous			<u>2,897</u>
<i>Total General Receipts</i>			58,379
Change in Net Assets			3,370
<i>Net Assets Beginning of Year</i>			<u>116,005</u>
<i>Net Assets End of Year</i>			<u><u>\$119,375</u></u>

See accompanying notes to the basic financial statements

Gallipolis Township, Gallia County
Statement of Activities - Cash Basis
For the Year Ended December 31, 2003

	Cash Disbursements	Program Cash Receipts	Net (Disbursements) Receipts and Changes in Net Assets
		Capital Grants and Contributions	Total Governmental Activities
Governmental Activities			
General Government	\$43,508	\$0	(\$43,508)
Public Safety	15,547	0	(\$15,547)
Public Works	84,870	79,956	(\$4,914)
Capital Outlay	5,715	0	(\$5,715)
<i>Total Governmental Activities</i>	149,640	79,956	(69,684)
General Receipts			
Property Taxes Levied for:			
General Purposes			36,860
Grants and Entitlements not Restricted to Specific Programs			19,159
Interest			578
Miscellaneous			2,848
<i>Total General Receipts</i>			59,445
Change in Net Assets			(10,239)
<i>Net Assets Beginning of Year</i>			126,244
<i>Net Assets End of Year</i>			\$116,005

See accompanying notes to the basic financial statements

Gallipolis Township, Gallia County
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2004

	General	Gasoline Tax Fund	Other Governmental Funds	Total Governmental Funds
Receipts				
Property and Other Local Taxes	\$35,746	\$0	\$0	\$35,746
Intergovernmental	19,275	67,226	3,826	90,327
Interest	223	168	71	462
<i>Total Receipts</i>	<u>55,244</u>	<u>67,394</u>	<u>3,897</u>	<u>126,535</u>
Disbursements				
Current:				
General Government	38,085	0	0	38,085
Public Safety	15,547	0	0	15,547
Public Works	0	46,918	0	46,918
Capital Outlay	0	24,211	1,300	25,511
<i>Total Disbursements</i>	<u>53,632</u>	<u>71,129</u>	<u>1,300</u>	<u>126,061</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>1,612</u>	<u>(3,735)</u>	<u>2,597</u>	<u>474</u>
Other Financing Sources (Uses)				
Other Financing Sources	2,896	0	0	2,896
<i>Total Other Financing Sources (Uses)</i>	<u>2,896</u>	<u>0</u>	<u>0</u>	<u>2,896</u>
<i>Net Change in Fund Balances</i>	4,508	(3,735)	2,597	3,370
<i>Fund Balances Beginning of Year</i>	<u>61,913</u>	<u>36,422</u>	<u>17,670</u>	<u>116,005</u>
<i>Fund Balances End of Year</i>	<u>\$66,421</u>	<u>\$32,687</u>	<u>\$20,267</u>	<u>\$119,375</u>

See accompanying notes to the basic financial statements

Gallipolis Township, Gallia County
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2003

	General	Gasoline Tax Fund	Miscellaneous Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Receipts					
Property and Other Local Taxes	\$36,860	\$0	\$0	\$0	\$36,860
Intergovernmental	19,159	52,829	23,572	3,556	99,116
Interest	297	202	0	78	577
<i>Total Receipts</i>	<u>56,316</u>	<u>53,031</u>	<u>23,572</u>	<u>3,634</u>	<u>136,553</u>
Disbursements					
Current:					
General Government	43,508	0	0	0	43,508
Public Safety	15,547	0	0	0	15,547
Public Works	0	84,870	0	0	84,870
Capital Outlay	0	5,715	0	0	5,715
<i>Total Disbursements</i>	<u>59,055</u>	<u>90,585</u>	<u>0</u>	<u>0</u>	<u>149,640</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(2,739)</u>	<u>(37,554)</u>	<u>23,572</u>	<u>3,634</u>	<u>(13,087)</u>
Other Financing Sources (Uses)					
Transfers In	0	23,572	0	0	23,572
Transfers Out	0	0	(23,572)	0	(23,572)
Other Financing Sources	2,848	0	0	0	2,848
<i>Total Other Financing Sources (Uses)</i>	<u>2,848</u>	<u>23,572</u>	<u>(23,572)</u>	<u>0</u>	<u>2,848</u>
<i>Net Change in Fund Balances</i>	109	(13,982)	0	3,634	(10,239)
<i>Fund Balances Beginning of Year</i>	<u>61,804</u>	<u>50,404</u>	<u>0</u>	<u>14,036</u>	<u>126,244</u>
<i>Fund Balances End of Year</i>	<u>\$61,913</u>	<u>\$36,422</u>	<u>\$0</u>	<u>\$17,670</u>	<u>\$116,005</u>

See accompanying notes to the basic financial statements

Gallipolis Township, Gallia County
*Statement of Receipts, Disbursements and Changes
 In Fund Balance - Budget and Actual -Budget Basis
 General Fund
 For the Year Ended December 31, 2004*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$38,980	\$38,980	\$35,746	(\$3,234)
Intergovernmental	10,968	14,412	19,275	4,863
Interest	127	167	223	56
<i>Total receipts</i>	<u>50,075</u>	<u>53,559</u>	<u>55,244</u>	<u>1,685</u>
Disbursements				
Current:				
General Government	48,014	48,014	38,085	9,929
Public Safety	19,611	19,611	15,547	4,064
<i>Total Disbursements</i>	<u>67,625</u>	<u>67,625</u>	<u>53,632</u>	<u>13,993</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(17,550)</u>	<u>(14,066)</u>	<u>1,612</u>	<u>15,678</u>
Other Financing Sources (Uses)				
Other Financing Sources	1,643	2,159	2,897	738
<i>Total Other Financing Sources (Uses)</i>	<u>1,643</u>	<u>2,159</u>	<u>2,897</u>	<u>738</u>
<i>Net Change in Fund Balance</i>	(15,907)	(11,907)	4,509	16,416
<i>Fund Balance Beginning of Year</i>	61,913	61,913	61,913	0
Prior Year Encumbrances Appropriated	0	0	0	0
<i>Fund Balance End of Year</i>	<u>\$46,006</u>	<u>\$50,006</u>	<u>\$66,422</u>	<u>\$16,416</u>

See accompanying notes to the basic financial statements

Gallipolis Township, Gallia County
*Statement of Receipts, Disbursements and Changes
 In Fund Balance - Budget and Actual -Budget Basis
 Gasoline Tax Fund
 For the Year Ended December 31, 2004*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Intergovernmental	\$51,609	\$51,609	\$67,226	\$15,617
Interest	103	103	168	65
<i>Total receipts</i>	<u>51,712</u>	<u>51,712</u>	<u>67,394</u>	<u>15,682</u>
Disbursements				
Current:				
Public Works	57,717	57,717	46,918	10,799
Capital Outlay	29,733	29,733	24,211	5,522
<i>Total Disbursements</i>	<u>87,450</u>	<u>87,450</u>	<u>71,129</u>	<u>16,321</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(35,738)</u>	<u>(35,738)</u>	<u>(3,735)</u>	<u>32,003</u>
<i>Net Change in Fund Balance</i>	(35,738)	(35,738)	(3,735)	32,003
<i>Fund Balance Beginning of Year</i>	36,422	36,422	36,422	0
Prior Year Encumbrances Appropriated	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$684</u></u>	<u><u>\$684</u></u>	<u><u>\$32,687</u></u>	<u><u>\$32,003</u></u>

See accompanying notes to the basic financial statements

Gallipolis Township, Gallia County
*Statement of Receipts, Disbursements and Changes
 In Fund Balance - Budget and Actual -Budget Basis
 General Fund
 For the Year Ended December 31, 2003*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Property and Other Local Taxes	\$36,972	\$36,972	\$36,860	(\$112)
Intergovernmental	12,771	16,207	19,159	2,952
Interest	193	245	297	52
<i>Total receipts</i>	<u>49,936</u>	<u>53,424</u>	<u>56,316</u>	<u>2,892</u>
Disbursements				
Current:				
General Government	48,327	48,327	43,508	4,819
Public Safety	16,980	16,980	15,547	1,433
<i>Total Disbursements</i>	<u>65,307</u>	<u>65,307</u>	<u>59,055</u>	<u>6,252</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(15,371)</u>	<u>(11,883)</u>	<u>(2,739)</u>	<u>9,144</u>
Other Financing Sources (Uses)				
Other Financing Sources	1,903	2,415	2,848	433
<i>Net Change in Fund Balance</i>	(13,468)	(9,468)	109	9,577
<i>Fund Balance Beginning of Year</i>	61,804	61,804	61,804	0
Prior Year Encumbrances Appropriated	0	0	0	0
<i>Fund Balance End of Year</i>	<u>\$48,336</u>	<u>\$52,336</u>	<u>\$61,913</u>	<u>\$9,577</u>

See accompanying notes to the basic financial statements

Gallipolis Township, Gallia County
*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Gasoline Tax Fund
For the Year Ended December 31, 2003*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Intergovernmental	\$51,054	\$71,289	\$52,828	(\$18,461)
Interest	206	366	202	(164)
<i>Total receipts</i>	<u>51,260</u>	<u>71,655</u>	<u>53,030</u>	<u>(18,625)</u>
Disbursements				
Current:				
Public Works	89,253	89,253	84,870	4,383
Capital Outlay	5,697	5,697	5,715	(18)
<i>Total Disbursements</i>	<u>94,950</u>	<u>94,950</u>	<u>90,585</u>	<u>4,365</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(43,690)</u>	<u>(23,295)</u>	<u>(37,555)</u>	<u>(14,260)</u>
Other Financing Sources (Uses)				
Transfers In	0	0	23,572	23,572
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>0</u>	<u>23,572</u>	<u>23,572</u>
<i>Net Change in Fund Balance</i>	(43,690)	(23,295)	(13,983)	9,312
<i>Fund Balance Beginning of Year</i>	50,405	50,405	50,405	0
Prior Year Encumbrances Appropriated	0	0	0	0
<i>Fund Balance End of Year</i>	<u>\$6,715</u>	<u>\$27,110</u>	<u>\$36,422</u>	<u>\$9,312</u>

See accompanying notes to the basic financial statements

Gallipolis Township, Gallia County
*Statement of Receipts, Disbursements and Changes
 In Fund Balance - Budget and Actual -Budget Basis
 Miscellaneous Special Revenue Fund
 For the Year Ended December 31, 2003*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Intergovernmental	\$0	\$20,316	\$23,572	\$3,256
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>0</u>	<u>20,316</u>	<u>23,572</u>	<u>3,256</u>
Other Financing Sources (Uses)				
Transfers Out	<u>0</u>	<u>0</u>	<u>(23,572)</u>	<u>(23,572)</u>
<i>Net Change in Fund Balance</i>	0	20,316	0	(20,316)
<i>Fund Balance Beginning of Year</i>	0	0	0	0
Prior Year Encumbrances Appropriated	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$0</u></u>	<u><u>\$20,316</u></u>	<u><u>\$0</u></u>	<u><u>(\$20,316)</u></u>

See accompanying notes to the basic financial statements

Gallipolis Township
Gallia County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2004 and 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Gallipolis Township, Gallia County, Ohio (the Township) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides general governmental services, including road and bridge maintenance, cemetery maintenance, and fire protection and emergency medical services.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

Investments are included in fund cash balances. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

Certificates of deposit are valued at cost.

D. Fund Accounting

The Township's accounts are maintained on the basis of funds, each of which is considered a separate accounting entity. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to specific Township functions or activities. The operation of each fund is accounted for within a separate set of self-balancing set of accounts.

Governmental Funds

Governmental funds are those through which most governmental functions typically are financed. Governmental funds reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Cash disbursements are assigned to the fund from which they are paid. The difference between governmental fund assets and cash disbursements is reported as fund balance. The following is the Township's major governmental funds:

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

Gallipolis Township
Gallia County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2004 and 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

Governmental Funds (Continued)

Motor Vehicle License Tax Special Revenue Fund-This fund accounts for monies received from state gasoline tax and motor vehicle motor vehicle registration fees designed for maintenance and repair of roads and bridges.

Miscellaneous Special Revenue Fund – This fund accounts for monies received from the Federal Emergency Management Agency.

E. Basis of Presentation

For fiscal year 2003 the Township has implemented the provisions of GASB 34 for financial reporting on a cash basis, which is a basis of accounting other than accounting principles generally accepted in the United States of America and GASB 38, for certain financial statement note disclosures. However, there are no adjustments to beginning fund balances since the basis of accounting has not changed. The Township's basic financial statements consist of government-wide statements, including a statement of net cash assets and statement of activities, and fund financial statements that provide a more detailed level of financial information.

F. Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the Township as a whole. These statements include the financial activities of the primary government.

The statement of net assets-cash basis presents the cash basis financial condition of governmental activities of the Township at year-end. The statement of activities-cash basis presents a comparison between direct cash disbursements and program cash receipts for each program or function of the Township's governmental activities. Direct cash disbursements are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program cash receipts include charges paid by the recipient of the goods or services identifiable to a particular program. Cash receipts which are not classified as program cash receipts are presented as general cash receipts of the Township. The comparison of direct cash disbursements with program cash receipts identifies the extent to which each business segment or governmental function is self-financing or draws from the general cash receipts of the Township.

G. Fund Financial Statements

During the year, the Township segregates transactions related to certain Township 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 Township at this more detailed level. The focus of fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

Gallipolis Township
Gallia County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2004 and 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Basis of Accounting

The Township prepares its financial statements and notes in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare annual financial reports in accordance with generally accepted accounting principles. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary disbursements when a commitment is made (i.e., when an encumbrance is approved). These statements include adequate disclosure of material matters, in accordance with the basis of accounting described in the preceding paragraph.

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 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. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

I. Cash Receipts—Exchange and Non-exchange Transactions

Cash receipts resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the cash basis when the exchange takes place. On a cash basis, receipts are recorded in the year in which the resources are received.

Non-exchange transactions, in which the Township receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On a cash basis, receipts from property taxes are recognized in the year in which the monies have been received.

J. Cash Disbursements

On the cash basis of accounting, disbursements are recognized at the time payments are made.

K. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function and object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

Gallipolis Township
Gallia County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2004 and 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Budgetary Process (Continued)

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are cancelled, and re-appropriated in the subsequent year.

A summary of 2004 and 2003 budgetary activity appears in Note 3.

L. Capital Assets and Depreciation

Capital assets (fixed assets) acquired or constructed for the Township are recorded as disbursements at the time of acquisition. However, under the cash basis of accounting, capital assets and the related depreciation are not reported separately of the financial statements.

M. Compensated Absences

Vacation and sick leave benefits are not accrued under the cash basis of accounting as previously described.

N. Long-Term Obligations

In general, bonds, long-term loans, and capital leases are recorded as cash disbursements in the basic financial statements when paid.

O. Net Cash Assets

Net cash assets represent the difference between assets and liabilities. Net cash assets consist of cash receipts reduced by cash disbursements for the current year. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Township or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments. Restricted for Other Purposes is comprised of net assets restricted for grants. The Township applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

P. Interfund Transactions

Exchange transactions between funds are reported as cash receipts in the seller funds and as cash disbursements in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular cash disbursements to the funds that initially paid for them are not presented on the financial statements. In the government-wide financial statements transfers within governmental activities are eliminated.

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Township maintains a cash pool used by all funds. The Ohio Revised Code prescribes allowable deposits. The carrying amount of cash at December 31 was as follows:

	2004	2003
Deposits	<u>\$119,375</u>	<u>\$116,005</u>

Gallipolis Township
Gallia County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2004 and 2003

2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation or (2) collateralized by securities specifically pledged by the financial institution for its public deposits.

3. PROPERTY TAX

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

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

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

4. RETIREMENT SYSTEMS

The Township's elected officials and employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including post-retirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2004 and 2003, PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries. The Township has paid all contributions required through December 31, 2004.

5. RISK MANAGEMENT

Risk Pool Membership

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

Casualty Coverage

OTARMA retains casualty risks up to \$250,000 per occurrence. Claims exceeding \$250,000 are reinsured with APEEP up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000 which the General Reinsurance Corporation will reinsure.

If losses exhaust OTARMA's retained earnings, APEEP covers OTARMA losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Gallipolis Township
 Gallia County, Ohio
 Notes to the Financial Statements
 For the Years Ended December 31, 2004 and 2003

5. RISK MANAGEMENT (Continued)

Property Coverage

OTARMA retains property risks including automobile physical damage up to \$100,000 on any specific loss. The Travelers Indemnity Company reinsures specific losses exceeding \$100,000. The Travelers Indemnity Company also provides aggregate excess coverage for property including automobile physical damage subject to an annual stop loss. When the stop loss is reached in any year, The Travelers Indemnity Company provides coverage in excess of \$10,000.

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

Risk Pool Membership

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and report the following assets, liabilities, and retained earnings at December 31, 2003 and 2002 (the latest information available):

<u>Casualty Coverage</u>	<u>2003</u>	<u>2002</u>
Assets	\$27,792,223	\$23,757,036
Liabilities	<u>(11,791,300)</u>	<u>(9,197,512)</u>
Retained earnings	<u>\$16,000,923</u>	<u>\$14,559,524</u>
<u>Property Coverage</u>		
Assets	\$6,791,060	\$6,596,996
Liabilities	<u>(750,956)</u>	<u>(1,204,326)</u>
Retained earnings	<u>\$6,040,104</u>	<u>\$5,392,670</u>

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Ohio Society of Certified Public Accountants

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Trustees
Gallipolis Township
1069 Second Avenue
Gallipolis, OH 45631

We have audited the accompanying financial statements of Gallipolis Township, Gallia County, Ohio (the Township), as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated May 16, 2005, wherein we noted the Township revised its financial statements comparable to the requirements of Government Accounting Standard No. 34, Basic Financial Statements – Management’s Discussion and Analysis- for State and Local Governments and Government Accounting Standard No. 38 for certain financial statement note disclosures. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the Township’s internal control over financial reporting in order to determine auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion.

We noted certain matters that we reported to management in a separate letter date May 16, 2005.

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



Balestra, Harr & Scherer, CPAs, Inc.
May 16, 2005

Gallipolis Township
 Gallia County, Ohio
 Schedule of Prior Audit Findings
 For the Years Ended December 31, 2004 and 2003

SCHEDULE OF PRIOR AUDIT FINDINGS

Finding Number	Finding Summary	Fully Corrected?	Not corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2002-40727-001	Ohio Revised Code Section 5705.41 (D), failure to certify funds.	Yes	



**Auditor of State
Betty Montgomery**

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GALLIPOLIS TOWNSHIP

GALLIA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 9, 2006**