



Mary Taylor, CPA  
Auditor of State



**GALLIPOLIS TOWNSHIP  
GALLIA COUNTY**

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Gallipolis Township  
Gallia County  
1069 Second Avenue  
Gallipolis, Ohio 45631

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, major funds, and the aggregate remaining fund information of Gallipolis Township, Gallia County, Ohio (the Township), as of and for the years ended December 31, 2006 and 2005 which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code Section 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code Sections 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the accompanying financial statements and notes follow the modified cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Gallipolis Township, Gallia County, Ohio, as of December 31, 2006 and 2005 and the respective changes in modified cash financial position and the respective budgetary comparisons for the General Fund and Gasoline Tax Fund thereof for the years then ended in conformity with the basis of accounting Note 1 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 13, 2007, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

August 13, 2007

**Gallipolis Township  
Gallia County**

Management's Discussion and Analysis  
For the Years Ended December 31, 2006 and 2005  
(Unaudited)

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This discussion and analysis of the Gallipolis Township's financial performance provides an overall review of the Township's financial activities for the years ended December 31, 2006 and 2005, within the limitations of the Township's modified cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Township's financial performance.

**Highlights**

Key highlights for 2006 and 2005 are as follows:

- Net assets of governmental activities increased \$9,500, or 4 percent, in 2006. Net assets of governmental activities increased \$105,331, or 88 percent, in 2005, a significant change from 2004. This was due to a large estate tax settlement.
- The Township's receipts are primarily property and gasoline taxes. These receipts represent respectively 25 and 54 percent of the total cash received for governmental activities during 2006 and 14 and 30 percent of the total cash received for governmental activities during 2005. Property and gasoline tax receipts for 2006 and 2005 changed very little as development within the Township has slowed. In addition, a large estate tax settlement was received in 2005 which represented 45% of the receipts for that year.

**Using the Basic Financial Statements**

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

**Report Components**

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

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

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

**Basis of Accounting**

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

**Gallipolis Township  
Gallia County**

Management's Discussion and Analysis  
For the Years Ended December 31, 2006 and 2005  
(Unaudited)

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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 2006 and 2005, 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, the Township has one type of activity:

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

**Reporting the Township's Most Significant Funds**

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



**Gallipolis Township  
Gallia County**

Management's Discussion and Analysis  
For the Years Ended December 31, 2006 and 2005  
(Unaudited)

**The Township as a Whole**

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

(Table 1)  
**Net Assets**

	Governmental Activities	
	2006	2005
<b>Assets</b>		
Cash	\$ 234,206	\$ 224,706
Total Assets	234,206	224,706
<b>Net Assets</b>		
Restricted for:		
Other Purposes	87,820	78,142
Unrestricted	146,386	146,564
Total Net Assets	\$ 234,206	\$ 224,706

As mentioned previously, net assets of governmental activities increased \$9,500 or 4 percent during 2006. The primary reasons contributing to the increases in cash balances are as follows:

- Special revenue fund receipts increased from 2005 to 2006 primarily through gasoline tax receipts.

Table 2 reflects the changes in net assets in 2006 compared to 2005 on a modified cash basis:

**Gallipolis Township  
Gallia County**

Management's Discussion and Analysis  
For the Years Ended December 31, 2006 and 2005  
(Unaudited)

(Table 2)  
**Changes in Net Assets**

	Governmental Activities 2006	Governmental Activities 2005	Difference
Receipts:			
Program Receipts:			
Operating Grants and Contributions	\$ 90,343	\$ 80,994	\$ 9,349
Total Program Receipts	<u>90,343</u>	<u>80,994</u>	<u>9,349</u>
General Receipts:			
Property and Other Local Taxes	39,110	37,207	1,903
Cable Franchis Fees	2,867	2,917	(50)
Grants and Entitlements Not Restricted to Specific Programs	27,710	139,665	(111,955)
Miscellaneous	36	-	36
Total General Receipts	<u>69,723</u>	<u>179,789</u>	<u>(110,066)</u>
Total Receipts	<u>160,066</u>	<u>260,783</u>	<u>(100,717)</u>
Disbursements:			
General Government	53,288	49,439	3,849
Security of Persons and Property:	17,000	15,547	1,453
Public Health Services	68,500	84,158	(15,658)
Capital Outlay	11,625	6,308	5,317
Other	153	-	153
Total Disbursements	<u>150,566</u>	<u>155,452</u>	<u>(4,886)</u>
Increase (Decrease) in Net Assets	9,500	105,331	(95,831)
Net Assets, January 1	224,706	119,375	105,331
Net Assets, December 31	<u>\$ 234,206</u>	<u>\$ 224,706</u>	<u>\$ 9,500</u>

Program receipts represent 56.4 percent of total receipts in 2006 and 31.1 percent of total receipts in 2005 and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money.

General receipts represent 43.6 percent of the Township's total receipts for 2006 and 68.9 percent of the Township's total receipts for 2005, and of this amount, 56 percent are local taxes in 2006 and 21 percent are local taxes in 2005. Grants and entitlements not restricted to Specific Programs represents 40 percent of general receipts for 2006 and 78 percent of general receipts for 2005. Other receipts are insignificant and somewhat unpredictable revenue sources.

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

**Gallipolis Township  
Gallia County**

Management's Discussion and Analysis  
For the Years Ended December 31, 2006 and 2005  
(Unaudited)

**Governmental Activities**

If you look at the Statement of Activities on pages 10 and 16, you will see that the first column lists the major services provided by the Township. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for general government and public works. These disbursements represent respectively 35.4 and 45.5 percent of all disbursements for governmental activities in 2006 and 31.8 and 54.1 percent of all disbursements for governmental activities in 2005. The next column of the Statement entitled Program Receipts identifies amounts paid by people who are directly charged for the service and grants received by the Township that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

	<b>Governmental Activities</b>			
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2006	2006	2005	2005
General Government	\$ 53,288	\$ 53,288	\$ 49,439	\$ 49,439
Public Safety	17,000	17,000	15,547	15,547
Public Works	68,500	\$ (20,890)	84,158	3,798
Capital Outlay	11,625	11,625	6,308	6,308
Other	153	(800)		(634)
	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenses	<u>\$ 150,566</u>	<u>\$ 60,223</u>	<u>\$ 155,452</u>	<u>\$ 74,458</u>

**The Township's Funds**

Total governmental funds had receipts and other sources of \$160,068 and disbursements and other uses of \$150,568 in 2006 and receipts and other sources of \$295,783 and disbursements and other uses of \$190,452 in 2005. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund increased \$80,142 as the result of increased estate tax receipts from Gallia County in 2005.

**General Fund Budgeting Highlights**

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

During 2006, there was no change between original and final budgeted receipts. During 2005, final budgeted receipts were only \$4,147 higher than original budgeted receipts. The difference between final budgeted receipts and actual receipts was not significant in 2006. Final actual receipts were above final budgeted receipts in 2005 due to unexpected growth in estate tax receipts.

**Gallipolis Township  
Gallia County**

Management's Discussion and Analysis  
For the Years Ended December 31, 2006 and 2005  
(Unaudited)

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Original and final disbursements for 2006 were budgeted at \$77,964 while actual disbursements were \$70,443. Original disbursements for 2005 were budgeted at \$65,905 and final disbursements for were budgeted at \$70,905 while actual disbursements were \$99,986. The disbursements exceeded budgeted amounts due to a transfer to the Gasoline Tax fund that was not budgeted.

**Capital Assets Administration**

The Township does not currently keep track of its capital assets and infrastructure.

**Current Financial Related Activities**

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

**Contacting the Township Fiscal Officer**

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

**GALLIPOLIS TOWNSHIP  
GALLIA COUNTY**

*Statement of Net Assets - Modified Cash Basis  
December 31, 2006*

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash	\$ 234,206
<i>Total Assets</i>	<u>\$ 234,206</u>
<b>Net Assets</b>	
Restricted for:	
Other Purposes	\$ 87,820
Unrestricted	<u>146,386</u>
<i>Total Net Assets</i>	<u>\$ 234,206</u>

See accompanying notes to the basic financial statements

**GALLIPOLIS TOWNSHIP  
GALLIA COUNTY**

*Statement of Activities - Modified Cash Basis  
For the Year Ended December 31, 2006*

	<u>Cash</u> <u>Disbursements</u>	<u>Program</u> <u>Receipts</u> Operating Grants and Contributions	<u>Net</u> <u>(Disbursements)</u> <u>Receipts and</u> <u>Changes in Net</u>  Governmental Activities
<b>Governmental Activities</b>			
General Government	\$ 53,288	\$	\$ (53,288)
Public Safety	17,000		(17,000)
Public Works	68,500	89,390	20,890
Other	153	953	800
Capital Outlay	11,625		(11,625)
<i>Total Governmental Activities</i>	<u>\$150,566</u>	<u>\$90,343</u>	(60,223)
<b>General Receipts</b>			
Property Taxes Levied for:			
General Purposes			39,110
Cable Franchise Fees			2,867
Grants and Entitlements not			
Restricted to Specific Programs			27,710
Miscellaneous			36
<i>Total General Receipts</i>			<u>69,723</u>
Change in Net Assets			9,500
<i>Net Assets Beginning of Year</i>			<u>224,706</u>
<i>Net Assets End of Year</i>			<u>\$ 234,206</u>

See accompanying notes to the basic financial statements

**GALLIPOLIS TOWNSHIP  
GALLIA COUNTY**

*Statement of Modified Cash Basis Assets and Fund Balances  
Governmental Funds  
December 31, 2006*

	<u>General</u>	<u>Gasoline Tax</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Cash	\$ 146,386	\$ 59,844	\$ 27,976	\$ 234,206
<i>Total Assets</i>	<u>\$ 146,386</u>	<u>\$ 59,844</u>	<u>\$ 27,976</u>	<u>\$ 234,206</u>
<b>Fund Balances</b>				
Unreserved:				
Undesignated (Deficit), Reported in:				
General Fund	\$ 146,386	\$	\$	\$ 146,386
Special Revenue Funds		59,844	27,976	87,820
<i>Total Fund Balances</i>	<u>\$ 146,386</u>	<u>\$ 59,844</u>	<u>\$ 27,976</u>	<u>\$ 234,206</u>

See accompanying notes to the basic financial statements

**GALLIPOLIS TOWNSHIP  
GALLIA COUNTY**

*Statement of Cash Receipts, Disbursements and Changes in Modified Cash Basis Fund Balances  
Governmental Funds  
For the Year Ended December 31, 2006*

	General	Gasoline Tax Fund	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>				
Property and Other Local Taxes	\$ 39,111	\$	\$	\$ 39,111
Intergovernmental	27,710	85,545	3,846	117,101
Interest	577	270	106	953
Other		36		36
<i>Total Receipts</i>	<u>67,398</u>	<u>85,851</u>	<u>3,952</u>	<u>157,201</u>
<b>Disbursements</b>				
Current:				
General Government	53,289			53,289
Public Safety	17,000			17,000
Public Works		68,500		68,500
Capital Outlay		11,625		11,625
<i>Total Disbursements</i>	<u>70,289</u>	<u>80,125</u>	<u>0</u>	<u>150,414</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(2,891)</u>	<u>5,726</u>	<u>3,952</u>	<u>6,787</u>
<b>Other Financing Sources (Uses)</b>				
Other Financing Sources	2,867			2,867
Other Financing Uses	(154)			(154)
<i>Total Other Financing Sources (Uses)</i>	<u>2,713</u>	<u>0</u>	<u>0</u>	<u>2,713</u>
<i>Net Change in Fund Balances</i>	(178)	5,726	3,952	9,500
<i>Fund Balances Beginning of Year</i>	<u>146,564</u>	<u>54,118</u>	<u>24,024</u>	<u>224,706</u>
<i>Fund Balances End of Year</i>	<u>\$ 146,386</u>	<u>\$ 59,844</u>	<u>\$ 27,976</u>	<u>\$ 234,206</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, 2006*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Property and Other Local Taxes	\$ 34,300	\$ 34,300	\$ 39,111	\$ 4,811
Intergovernmental	19,520	19,520	27,710	8,190
Interest	400	400	577	177
<i>Total Receipts</i>	54,220	54,220	67,398	13,178
<b>Disbursements</b>				
Current:				
General Government	60,964	60,964	53,289	7,675
Public Safety	17,000	17,000	17,000	0
<i>Total Disbursements</i>	77,964	77,964	70,289	7,675
<i>Excess of Receipts Over (Under) Disbursements</i>	(23,744)	(23,744)	(2,891)	20,853
<b>Other Financing Sources (Uses)</b>				
Other Financing Sources	150	150	2,867	2,717
Other Financing Uses	-	-	(154)	(154)
<i>Total Other Financing Sources (Uses)</i>	150	150	2,713	2,563
<i>Net Change in Fund Balance</i>	(23,594)	(23,594)	(178)	23,416
<i>Fund Balance Beginning of Year</i>	146,564	146,564	146,564	0
<i>Fund Balance End of Year</i>	\$ 122,970	\$ 122,970	\$ 146,386	\$ 23,416

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, 2006*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>Receipts</b>				
Intergovernmental	\$ 54,775	\$ 54,775	\$ 85,545	\$ 30,770
Interest	225	225	270	45
Miscellaneous			36	36
<i>Total Receipts</i>	<u>55,000</u>	<u>55,000</u>	<u>85,851</u>	<u>30,851</u>
<b>Disbursements</b>				
Current:				
Public Works	72,350	88,100	68,500	19,600
Capital Outlay	<u>36,700</u>	<u>20,950</u>	<u>11,625</u>	<u>9,325</u>
<i>Total Disbursements</i>	<u>109,050</u>	<u>109,050</u>	<u>80,125</u>	<u>28,925</u>
<i>Net Change in Fund Balance</i>	(54,050)	(54,050)	5,726	59,776
<i>Fund Balance Beginning of Year</i>	<u>54,118</u>	<u>54,118</u>	<u>54,118</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$ 68</u>	<u>\$ 68</u>	<u>\$ 59,844</u>	<u>\$ 59,776</u>

See accompanying notes to the basic financial statements

**GALLIPOLIS TOWNSHIP  
GALLIA COUNTY**

*Statement of Net Assets - Modified Cash Basis  
December 31, 2005*

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash	\$ 224,706
<i>Total Assets</i>	<u>\$ 224,706</u>
<b>Net Assets</b>	
Restricted for:	
Other Purposes	\$ 78,142
Unrestricted	<u>146,564</u>
<i>Total Net Assets</i>	<u>\$ 224,706</u>

See accompanying notes to the basic financial statements

**GALLIPOLIS TOWNSHIP**  
**GALLIA COUNTY**  
*Statement of Activities - Modified Cash Basis*  
*For the Year Ended December 31, 2005*

	Cash Disbursements	<b>Program Receipts</b> Operating Grants and Contributions	Net (Disbursements) Receipts and Changes in Net
			Governmental Activities
<b>Governmental Activities</b>			
General Government	\$ 49,439	\$	\$ (49,439)
Public Safety	15,547		(15,547)
Public Works	84,158	80,360	(3,798)
Other		634	634
Capital Outlay	6,308		(6,308)
<i>Total Governmental Activities</i>	<u>\$155,452</u>	<u>\$80,994</u>	<u>(74,458)</u>
<b>General Receipts</b>			
Property Taxes Levied for:			
General Purposes			37,207
Cable Franchise Fees			2,917
Grants and Entitlements not Restricted to Specific Programs			<u>139,665</u>
<i>Total General Receipts</i>			<u>179,789</u>
Change in Net Assets			105,331
<i>Net Assets Beginning of Year</i>			<u>119,375</u>
<i>Net Assets End of Year</i>			<u>\$ 224,706</u>

See accompanying notes to the basic financial statements

**GALLIPOLIS TOWNSHIP  
GALLIA COUNTY**

*Statement of Modified Cash Basis Assets and Fund Balances  
Governmental Funds  
December 31, 2005*

	<u>General</u>	<u>Gasoline Tax</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Cash	\$ 146,564	\$ 54,118	\$ 24,024	\$ 224,706
<i>Total Assets</i>	<u>\$ 146,564</u>	<u>\$ 54,118</u>	<u>\$ 24,024</u>	<u>\$ 224,706</u>
<b>Fund Balances</b>				
Unreserved:				
Undesignated (Deficit), Reported in:				
General Fund	\$146,564	\$	\$	\$146,564
Special Revenue Funds		54,118	24,024	78,142
<i>Total Fund Balances</i>	<u>\$ 146,564</u>	<u>\$ 54,118</u>	<u>\$ 24,024</u>	<u>\$ 224,706</u>

See accompanying notes to the basic financial statements

**GALLIPOLIS TOWNSHIP  
GALLIA COUNTY**

*Statement of Cash Receipts, Disbursements and Changes in Modified Cash Basis Fund Balances  
Governmental Funds  
For the Year Ended December 31, 2005*

	General	Gasoline Tax Fund	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>				
Property and Other Local Taxes	\$ 37,207	\$	\$	\$ 37,207
Intergovernmental	139,665	76,688	3,672	220,025
Interest	339	209	86	634
<i>Total Receipts</i>	<u>177,211</u>	<u>76,897</u>	<u>3,758</u>	<u>257,866</u>
<b>Disbursements</b>				
Current:				
General Government	49,439			49,439
Public Safety	15,547			15,547
Public Works		84,158		84,158
Capital Outlay		6,308		6,308
<i>Total Disbursements</i>	<u>64,986</u>	<u>90,466</u>	<u>0</u>	<u>155,452</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>112,225</u>	<u>(13,569)</u>	<u>3,758</u>	<u>102,414</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In		35,000		35,000
Transfers Out	(35,000)			(35,000)
Other Financing Sources	2,917			2,917
<i>Total Other Financing Sources (Uses)</i>	<u>(32,083)</u>	<u>35,000</u>	<u>0</u>	<u>2,917</u>
<i>Net Change in Fund Balances</i>	80,142	21,431	3,758	105,331
<i>Fund Balances Beginning of Year</i>	<u>66,422</u>	<u>32,687</u>	<u>20,266</u>	<u>119,375</u>
<i>Fund Balances End of Year</i>	<u>\$ 146,564</u>	<u>\$ 54,118</u>	<u>\$ 24,024</u>	<u>\$ 224,706</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, 2005*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Property and Other Local Taxes	\$ 34,050	\$ 34,050	\$ 37,207	\$ 3,157
Intergovernmental	19,000	23,147	139,665	116,518
Interest	230	230	339	109
<i>Total Receipts</i>	<u>53,280</u>	<u>57,427</u>	<u>177,211</u>	<u>119,784</u>
<b>Disbursements</b>				
Current:				
General Government	48,905	53,905	49,439	4,466
Public Safety	17,000	17,000	15,547	1,453
<i>Total Disbursements</i>	<u>65,905</u>	<u>70,905</u>	<u>64,986</u>	<u>5,919</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(12,625)</u>	<u>(13,478)</u>	<u>112,225</u>	<u>125,703</u>
<b>Other Financing Sources (Uses)</b>				
Transfers Out	0	0	(35,000)	(35,000)
Other Financing Sources	150	150	2,917	2,767
<i>Total Other Financing Sources (Uses)</i>	<u>150</u>	<u>150</u>	<u>(32,083)</u>	<u>(32,233)</u>
<i>Net Change in Fund Balance</i>	(12,475)	(13,328)	80,142	93,470
<i>Fund Balance Beginning of Year</i>	<u>66,422</u>	<u>66,422</u>	<u>66,422</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$ 53,947</u>	<u>\$ 53,094</u>	<u>\$ 146,564</u>	<u>\$ 93,470</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, 2005*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Intergovernmental	\$ 123,807	\$ 126,120	\$ 76,688	\$ (49,432)
Interest	195	195	209	14
Miscellaneous	1800	1800	0	(1,800)
<i>Total Receipts</i>	<u>125,802</u>	<u>128,115</u>	<u>76,897</u>	<u>(51,218)</u>
<b>Disbursements</b>				
Current:				
Public Works	63,771	64,021	84,158	(20,137)
Capital Outlay	25,835	25,585	6,308	19,277
<i>Total Disbursements</i>	<u>89,606</u>	<u>89,606</u>	<u>90,466</u>	<u>(860)</u>
<i>Net Change in Fund Balance</i>	36,196	38,509	21,431	(17,078)
<i>Fund Balance Beginning of Year</i>	<u>32,687</u>	<u>32,687</u>	<u>32,687</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$ 68,883</u>	<u>\$ 71,196</u>	<u>\$ 54,118</u>	<u>\$ (17,078)</u>

See accompanying notes to the basic financial statements



**Gallipolis Township  
Gallia County**

Notes to the Financial Statements  
For the Years Ended December 31, 2006 and 2005

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**Note 1 – Reporting Entity**

Gallipolis Township, Gallia County, Ohio, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly elected three-member Board of Trustees. The Township also has an elected Township Fiscal Officer. The Township provides general government services and maintenance of Township roads. The Township contracts with the Village of Gallipolis for fire protection. Police protection is provided by the Gallia County Sheriff.

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

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

The financial statements are presented on a modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Following are the more significant of the Township's accounting policies.

**Fund Financial Statements**

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

**Governmental Funds**

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

**Basis of Accounting**

The Township's financial statements are prepared using the modified cash basis of accounting. Receipts are recorded in the Township's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

**Gallipolis Township  
Gallia County**

Notes to the Financial Statements  
For the Years Ended December 31, 2006 and 2005

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**Note 2 – Summary of Significant Accounting Policies (Continued)**

**Budgetary Process**

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Township may appropriate.

The appropriations resolution is the Township's authorization to spend resources and sets limits on disbursements plus encumbrances at the level of control selected by the Township.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Township Fiscal Officer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by the Township.

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

Interest earnings are allocated to Township funds according to State statutes. Interest receipts credited to the General Fund during 2006 were \$577; to the Gasoline Tax Fund were \$270; and to the Motor Vehicle License Fund were \$106. Interest receipts credited to the General Fund during 2005 were \$339; to the Gasoline Tax Fund were \$209; and to the Motor Vehicle License Fund were \$86.

**Note 3 – 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 Gasoline Tax Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget

**Note 4 – Deposits and Investments**

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

	<u>2006</u>	<u>2005</u>
Demand deposits	\$ 234,206	\$ 224,706

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

**Gallipolis Township  
Gallia County**

Notes to the Financial Statements  
For the Years Ended December 31, 2006 and 2005

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**Note 5 – Property Taxes**

The full tax rate for all Township operations for the year ended December 31, 2005, was \$0.40 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2006 and 2005 property tax receipts were based are as follows:

	<u>2006</u>	<u>2005</u>
Real Property Residential	\$ 18,563,870	\$ 16,939,190
Public Utility Property	1,707,649	1,783,620
Tangible Personal Property	1,289,008	3,282,680
Total Assessed Value	<u>\$ 21,560,527</u>	<u>\$ 22,005,490</u>

**Note 6 – Risk Management**

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

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

**Casualty Coverage**

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

If losses exhaust OTARMA's retained earnings, APEEP provides excess of funds available coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (for claims prior to January 1, 2006) or \$3,000,000 (for claims on or after January 1, 2006) as noted above.

**Property Coverage**

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

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2006 was \$1,901,127.

**Gallipolis Township  
Gallia County**

Notes to the Financial Statements  
For the Years Ended December 31, 2006 and 2005

**Note 6 – Risk Management (Continued)**

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

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

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2006 and 2005:

<u>Casualty Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$ 32,031,312	\$ 30,485,638
Liabilities	<u>(11,443,952)</u>	<u>(12,344,576)</u>
Retained Earnings	<u>\$ 20,587,360</u>	<u>\$ 18,141,062</u>
<u>Property Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$ 10,010,963	\$ 9,177,796
Liabilities	<u>(676,709)</u>	<u>(1,406,031)</u>
Retained Earnings	<u>\$ 9,334,254</u>	<u>\$ 7,771,765</u>

At December 31, 2006 and 2005, respectively, casualty coverage liabilities noted above include approximately \$10.8 million and \$11.6 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$10.8 million and \$11.6 million of unpaid claims to be billed to approximately 958 member governments in the future, as of December 31, 2006 and 2005, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$13,000. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

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

<u>Contributions to OTARMA</u>		
2004	\$	6,096
2005	\$	6,630
2006	\$	6,326

**Gallipolis Township  
Gallia County**

Notes to the Financial Statements  
For the Years Ended December 31, 2006 and 2005

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**Note 6 – Risk Management (Continued)**

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

**Note 7 – Defined Benefit Pension Plan**

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

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

For the year ended December 31, 2006, the members of all three plans were required to contribute 9 percent of their annual covered salaries, an increase from 8.5 percent for the year ended December 31, 2005. The employer contribution rate for pension benefits for 2006 was 13.7 percent, up from 13.55 percent in 2005. Ohio Revised Code provides statutory authority for member and employer contributions.

The Township's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2006 and 2005 were \$9,442 and \$8,686, respectively; 100 percent has been contributed for 2006 and 2005.

**Note 8 – Postemployment Benefits**

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2006 local government employer contribution rate was 13.70 percent of covered payroll, up from 13.55 percent in 2005. 4 percent of covered payroll was the portion that was used to fund health care.

**Gallipolis Township  
Gallia County**

Notes to the Financial Statements  
For the Years Ended December 31, 2006 and 2005

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**Note 8 – Postemployment Benefits (Continued)**

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

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

The number of active contributing participants in the traditional and combined plans was 376,109. Actual Township contributions for 2006 and 2005 which were used to fund postemployment benefits were \$377 and \$347, respectively. The actual contribution and the actuarially required contribution amounts are the same. The actuarial value of OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) was \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively.

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

**Note 9 – Interfund Transfer**

During 2005, the following transfer was made:

Transfers from the General Fund to:	
Gasoline Tax Fund	\$ 35,000

Transfers represent the allocation of unrestricted receipts collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. The intended purpose of this transfer was to pay the paving contractor.



# Mary Taylor, CPA

Auditor of State

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

Gallipolis Township  
Gallia County  
1069 Second Avenue  
Gallipolis, Ohio 45631

To the Board of Trustees:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Gallipolis Township, Gallia County, Ohio (the Township), as of and for the years ended December 31, 2006 and 2005, which collectively comprise the Township's basic financial statements and have issued our report thereon dated August 13, 2007 wherein we noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

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

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

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

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

We noted a matter that we reported to the Township's management in a separate letter dated August 13, 2007.

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

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note a certain noncompliance or other matters that we reported to the Township's management in a separate letter dated August 13, 2007.

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



**Mary Taylor, CPA**  
Auditor of State

August 13, 2007





**Mary Taylor, CPA**  
Auditor of State

**GALLIPOLIS TOWNSHIP**

**GALLIA COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
OCTOBER 18, 2007**