

**VILLAGE OF GAMBIER
KNOX COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2006 - 2005



Mary Taylor, CPA

Auditor of State

Village Council
Village of Gambier
115 Meadows Lane
Gambier, Ohio 43022-0191

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

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Accountants' Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Accountants' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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

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

Mary Taylor, CPA
Auditor of State

February 28, 2008

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VILLAGE OF GAMBIER
KNOX COUNTY

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KNOX & KNOX

Accountants and Consultants

Independent Accountants' Report

Village of Gambier
Knox County
115 Meadow Lane
P.O. Box 1984
Gambier, Ohio 43022

To the Village Council:

We have audited the accompanying financial statements of the Village of Gambier, Knox County, Ohio, (the Village) as of and for the years ended December 31, 2006 and 2005. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit 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, if any, made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared its financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, we presume they are material.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2006 and 2005. In addition to the accompanying financial statements present for 2006 and 2005, the revisions require presenting entity wide statements. While the Village does not follow GAAP, generally accepted auditing standards require us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2006 and 2005 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2006 and 2005, or its changes in financial position and cash flows for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Gambier, Knox County, as of December 31, 2006 and 2005, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 19, 2007, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we do not opine on the internal control over financial reporting or on compliance, that reports 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 *Governmental Auditing Standards*. You should read it in conjunction with this report in considering the results of our audit.

Knox & Knox

Orrville, Ohio
September 19, 2007

VILLAGE OF GAMBIER
KNOX COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Permanent	
CASH RECEIPTS:					
Local Taxes	\$573,169				\$573,169
Intergovernmental Receipts	55,691	\$22,376	\$4,531		82,598
Charges for Services	15,577				15,577
Fines, Licenses, and Permits	33,897				33,897
Other	24,747	137		\$2	24,886
	<u>703,081</u>	<u>22,513</u>	<u>4,531</u>	<u>2</u>	<u>730,127</u>
CASH DISBURSEMENTS:					
Current:					
General Government	325,037				325,037
Security of Persons and Property	99,570				99,570
Community Environment	3,072				3,072
Basic Utility	37,843	1,000	34,903		73,746
Transportation	9,081	12,284			21,365
Public Health Services	4,302				4,302
Leisure Time Activities	4,064				4,064
Debt Service:			10,422		10,422
Capital Outlay	59,093	28,024			87,117
	<u>542,062</u>	<u>41,308</u>	<u>45,325</u>	<u>2</u>	<u>628,695</u>
Total Cash Disbursements	<u>542,062</u>	<u>41,308</u>	<u>45,325</u>	<u>2</u>	<u>628,695</u>
Total Receipts Over/(Under) Disbursements	<u>161,019</u>	<u>(18,795)</u>	<u>(40,794)</u>	<u>2</u>	<u>101,432</u>
OTHER FINANCING RECEIPTS/DISBURSEMENTS					
Transfers-In			10,500		10,500
Transfers-Out	(10,500)				(10,500)
	<u>(10,500)</u>	<u>10,500</u>	<u>10,500</u>	<u>2</u>	<u>101,432</u>
Total Other Financing Receipts/(Disbursements)	<u>(10,500)</u>	<u>10,500</u>	<u>10,500</u>	<u>2</u>	<u>101,432</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	150,519	(18,795)	(30,294)	2	101,432
Fund Cash Balances, January 1	147,427	20,721	32,239	456	200,843
FUND CASH BALANCES, DECEMBER 31	<u>\$297,946</u>	<u>\$1,926</u>	<u>\$1,945</u>	<u>\$458</u>	<u>\$302,275</u>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF GAMBIER
KNOX COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES
IN FUND CASH BALANCES - ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006

	Proprietary Fund Type
	Enterprise
OPERATING CASH RECEIPTS:	
Charges for Services	\$815,072
Total Operating Cash Receipts	815,072
OPERATING CASH DISBURSEMENTS:	
Personal Services	74,337
Contractual Services	258,774
Supplies and Materials	60,105
Capital Outlay	44,632
Total Operating Cash Disbursements	437,848
Operating Income/(Loss)	377,224
NON-OPERATING CASH RECEIPTS:	
Other Non-Operating Cash Receipts	4,450
Total Non-Operating Cash Receipts	4,450
NON-OPERATING CASH DISBURSEMENTS:	
Debt Service	331,254
Total Non-Operating Cash Disbursements	331,254
Excess of Non-Operating Receipts Over/ (Under) Non-Operating Disbursements	(326,804)
Net Receipts over/(Under) Disbursements	50,420
Fund Cash Balances, January 1	265,240
FUND CASH BALANCES, DECEMBER 31	\$315,660

The notes to the financial statements are an integral part of this statement.

VILLAGE OF GAMBIER
KNOX COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Permanent	
CASH RECEIPTS:					
Local Taxes	\$579,666				\$579,666
Intergovernmental Receipts	53,057	\$44,231	\$67,603		164,891
Charges for Services	12,736				12,736
Fines, Licenses, and Permits	22,861				22,861
Other	19,125	94		\$3	19,222
Total Cash Receipts	<u>687,445</u>	<u>44,325</u>	<u>67,603</u>	<u>3</u>	<u>799,376</u>
CASH DISBURSEMENTS:					
Current:					
General Government	330,671				330,671
Security of Persons and Property	128,137				128,137
Community Environment	5,097				5,097
Basic Utility	39,045	537	61,041		100,623
Transportation	11,466	11,121			22,587
Public Health Services	3,252				3,252
Leisure Time Activities	4,361				4,361
Debt Service			10,422		10,422
Capital Outlay	34,369	16,487			50,856
Total Cash Disbursements	<u>556,398</u>	<u>28,145</u>	<u>71,463</u>		<u>656,006</u>
Total Receipts Over/(Under) Disbursements	<u>131,047</u>	<u>16,180</u>	<u>(3,860)</u>	<u>3</u>	<u>143,370</u>
OTHER FINANCING RECEIPTS/DISBURSEMENTS					
Transfers-In			10,500		10,500
Transfers-Out	(10,500)				(10,500)
Total Other Financing Receipts/(Disbursements)	<u>(10,500)</u>		<u>10,500</u>		
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	120,547	16,180	6,640	3	143,370
Fund Cash Balances, January 1	<u>26,880</u>	<u>4,541</u>	<u>25,599</u>	<u>453</u>	<u>57,473</u>
FUND CASH BALANCES, DECEMBER 31	<u><u>\$147,427</u></u>	<u><u>\$20,721</u></u>	<u><u>\$32,239</u></u>	<u><u>\$456</u></u>	<u><u>\$200,843</u></u>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF GAMBIER
KNOX COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES
IN FUND CASH BALANCES - ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
OPERATING CASH RECEIPTS:	
Charges for Services	<u>\$736,127</u>
Total Operating Cash Receipts	<u>736,127</u>
OPERATING CASH DISBURSEMENTS:	
Personal Services	66,088
Contractual Services	251,780
Supplies and Materials	56,984
Capital Outlay	<u>17,664</u>
Total Operating Cash Disbursements	<u>392,516</u>
Operating Income/(Loss)	<u>343,611</u>
NON-OPERATING CASH RECEIPTS:	
Other Non-Operating Cash Receipts	<u>3,353</u>
Total Non-Operating Cash Receipts	<u>3,353</u>
NON-OPERATING CASH DISBURSEMENTS:	
Debt Service	<u>321,453</u>
Total Non-Operating Cash Disbursements	<u>321,453</u>
Excess of Non-Operating Receipts Over/ (Under) Non-Operating Disbursements	<u>(318,100)</u>
Net Receipts over/(Under) Disbursements	25,511
Fund Cash Balances, January 1	<u>239,729</u>
FUND CASH BALANCES, DECEMBER 31	<u>\$265,240</u>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF GAMBIER
KNOX COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 and 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Gambier, Knox County, (the Village) 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 Village is directed by a publicly-elected six-member Council. The Village provides water and sewer utilities, street maintenance, and park operations. The Village contracts with the Knox County Sheriff's Department to provide security of persons and property.

The Village's management believes these financial statements present all activities for which the Village 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

The Village's accounting basis includes investments as assets. The basis does not report disbursements for investment purchases or receipts for investment sales. The Village reports gains or losses at the time of sale as receipts or disbursements, respectively.

D. Fund Accounting

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

1. General Fund

The General fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Fund:

Street Construction, Maintenance, and Repair Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintenance and repairing Village streets.

VILLAGE OF GAMBIER
KNOX COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 and 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Fund Accounting (continued)

3. Capital Projects Fund

This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project fund:

Storm Water Construction Fund - This fund receives Ohio Public Works Commission loans and grants and donations from Kenyon College for the construction costs of storm water projects.

4. Enterprise Fund

These funds account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges. The Village had the following significant Enterprise Funds:

Water Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

Sewer Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

5. Permanent Funds

Trust Funds account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the fund is classified as a Permanent Fund. The Village had the following significant Permanent Fund:

Lepley-Metcalf Nonexpendable Trust Fund- This fund received a one time donation for cemetery improvements.

VILLAGE OF GAMBIER
KNOX COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 and 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. 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 department, function or object level of, and appropriations may not exceed estimated resources. The Council 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.

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made.

A summary of 2006 and 2005 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Village maintains a cash and investments pool used by all funds. 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	\$367,477	\$215,675
Certificates of Deposit	<u>250,458</u>	<u>250,406</u>
Total deposits	<u>\$617,935</u>	<u>\$466,081</u>

VILLAGE OF GAMBIER
KNOX COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 and 2005

2. EQUITY IN POOLED CASH AND INVESTMENTS (continued)

Deposits: Deposits are (1) insured by the Federal Depository Insurance Corporation or (2) collateralized by securities specifically pledged by the financial institution to the Village.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2006 and 2005 follows:

Fund Type	2006 Budgeted vs. Actual Receipts		
	Budgeted Receipts	Actual Receipts	Variance
General	\$599,857	\$ 703,081	\$103,224
Special Revenue	20,950	22,513	1,563
Capital Projects	15,031	15,031	
Permanent	4	2	(2)
Enterprise	771,750	819,522	47,722
Total	\$1,407,592	\$1,560,149	\$152,507

Fund Type	2006 Budgeted vs Actual Budgetary Basis Expenditures		
	Appropriation Authority	Budgetary Expenditures	Variance
General	\$734,850	\$552,562	\$182,288
Special Revenue	41,563	41,308	255
Capital Projects	47,269	45,325	1,944
Enterprise	812,400	769,102	43,298
Total	\$1,636,082	\$1,408,297	\$227,785

Fund Type	2005 Budgeted vs. Actual Receipts		
	Budgeted Receipts	Actual Receipts	Variance
General	\$603,188	\$687,445	\$84,257
Special Revenue	35,963	44,325	8,362
Capital Projects	83,780	78,103	(5,677)
Permanent	4	3	(1)
Enterprise	786,500	739,480	(47,020)
Total	\$1,509,435	\$1,549,356	\$39,921

VILLAGE OF GAMBIER
KNOX COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 and 2005

3. BUDGETARY ACTIVITY (continued)

Fund Type	<u>2005 Budgeted vs Actual Budgetary Basis Expenditures</u>		
	Appropriation Authority	Budgetary Expenditures	Variance
General	\$629,300	\$566,898	\$62,402
Special Revenue	39,413	28,145	11,268
Capital Projects	116,969	71,463	45,506
Enterprise	778,400	713,969	64,431
Total	<u>\$1,564,082</u>	<u>\$1,380,475</u>	<u>\$183,607</u>

4. LOCAL INCOME TAX

The Village levies a municipal income tax of 1.5 percent on substantially all earned income arising from employment, residency, or business activities within the Village, as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax quarterly. Corporations and other individual taxpayers remit estimated taxes quarterly and file a declaration annually.

5. DEBT

Debt outstanding at December 31, 2006 was as follows:

	Principal	Interest Rate
Mortgage Revenue Bonds	\$470,983	5.00%
Ohio Public Works Commission #1	98,183	0.00%
Ohio Public Works Commission #2	71,527	0.00%
Ohio Public Works Commission #3	92,174	0.00%
Ohio Public Works Commission #4	37,500	0.00%
Ohio Water Development Authority	1,668,891	4.18%
Total	<u>\$2,439,258</u>	

The Mortgage Revenue Bonds were issued in 1977 for the purchase of the waterworks system from Kenyon College and subsequent upgrades.

The Ohio Public Works Commission Loans #1 and #2 (OPWC) relates to the northeast collection line replacement. OPWC Loan #1 will be paid back in semiannual installments of \$5,167.50 over a period of 20 years interest free for money received in 1995. OPWC Loan #2 will be repaid in semiannual installments of \$2,980.30, interest free for a period of 20 years. In 2003 and 2004 OPWC provided money for a storm sewer replacement on Duff and Meadow Lanes, OPWC Loan #3 and OPWC Loan #4. OPWC Loan #3 will be repaid in semiannual installments of \$2,711.01, interest free for 20 years. OPWC Loan #4 will be repaid in semiannual installments of \$2,500, interest free for 10 years.

VILLAGE OF GAMBIER
KNOX COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 and 2005

5. DEBT (Continued)

The Ohio Water Development Authority (OWDA) has loaned the Village money to build a wastewater treatment plant. The loan will be repaid in semiannual installments of \$126,404 with an interest rate of 4.18 percent over 14 years.

Amortization of the above debt follows:

Year ending December 31	Ohio Water Development Authority		
	Principal	Interest	Total
2007	\$162,986	\$89,822	\$252,808
2008	173,519	79,289	252,808
2009	184,120	68,688	252,808
2010	193,721	59,087	252,808
2011	202,984	49,824	252,808
2012-2015	751,561	133,267	884,828
Total	<u>\$1,668,891</u>	<u>\$479,977</u>	<u>\$2,148,868</u>

Year ending December 31	Ohio Public Works Commission #1		
	Principal	Interest	Total
2007	\$10,335		\$10,335
2008	10,335		10,335
2009	10,335		10,335
2010	10,335		10,335
2011	10,335		10,335
2012-2016	46,508		46,508
Total	<u>\$98,183</u>		<u>\$98,183</u>

Year ending December 31	Ohio Public Works Commission #2		
	Principal	Interest	Total
2007	\$5,961		\$5,961
2008	5,961		5,961
2009	5,961		5,961
2010	5,961		5,961
2011	5,961		5,961
2012-2016	29,805		29,805
2017-2018	11,917		11,917
Total	<u>\$71,527</u>		<u>\$71,527</u>

VILLAGE OF GAMBIER
KNOX COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 and 2005

5. DEBT (Continued)

Year ending December 31	Ohio Public Works Commission #3		
	Principal	Interest	Total
2007	\$5,422		\$5,422
2008	5,422		5,422
2009	5,422		5,422
2010	5,422		5,422
2011	5,422		5,422
2012-2016	27,110		27,110
2017-2021	27,110		27,110
2022-2023	10,844		10,844
Total	<u>\$92,147</u>	<u></u>	<u>\$92,174</u>

Year ending December 31	Ohio Public Works Commission #4		
	Principal	Interest	Total
2007	\$5,000		\$5,000
2008	5,000		5,000
2009	5,000		5,000
2010	5,000		5,000
2011	5,000		5,000
2012-2015	12,500		12,500
Total	<u>\$37,500</u>	<u></u>	<u>\$37,500</u>

Year ending December 31	Mortgage Revenue Bonds		
	Principal	Interest	Total
2007	\$43,203	\$29,647	\$72,850
2008	46,300	26,100	72,400
2009	49,608	23,242	72,850
2010	52,869	19,981	72,850
2011	61,310	11,540	72,850
2012-2014	217,693	11,457	229,150
Total	<u>\$470,983</u>	<u>\$121,967</u>	<u>\$592,950</u>

6. RETIREMENT SYSTEMS

The Village officials and employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The 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. OPERS members contributed 9.0% and 8.5% of their gross salaries, respectively. The Village contributed an amount equal to 13.7% (2006) and 13.55% (2005) of participants' gross salaries. The Village has paid all contributions required through December 31, 2006.

VILLAGE OF GAMBIER
KNOX COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 and 2005

7. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles; and
- Errors and omissions.

The Village provides health insurance to full-time employees through a private carrier.

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Accountants and Consultants

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

Village of Gambier
Knox County
115 Meadow Lane
P.O. Box 1984
Gambier, Ohio 43022

To the Village Council:

We have audited the accompanying financial statements of the Village of Gambier, Knox County, Ohio (the Village) as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated September 19, 2007, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the 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 that might be considered material weaknesses.

COMPLIANCE AND OTHER MATTERS

As part of reasonably assuring whether the Village's basic 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 that we must report under *Government Auditing Standards* .

We did note a certain noncompliance that we reported to the Village's management in a separate letter dated September 19, 2007.

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

KNOX & KNOX

Orrville, Ohio
September 19, 2007

VILLAGE OF GAMBIER
KNOX COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

Finding Summary	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2004-01	Ohio Revised Code § 5705.10, Negative fund balance in water, sewer, street maintenance, state highway and motor vehicle tax funds	Yes	Finding is no longer valid.
2004-02	Review of enterprise operations	Yes	Finding is no longer valid.



Mary Taylor, CPA
Auditor of State

VILLAGE OF GAMBIER

KNOX 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
MARCH 13, 2008**