

VILLAGE OF GAMBIER

KNOX COUNTY, OHIO

AUDIT REPORT

For the Years Ended December 31, 2010 & 2009

Charles E. Harris and Associates, Inc.
Certified Public Accountants and Government Consultants



Dave Yost • Auditor of State

Village Council
Village of Gambier
PO Box 1984
Gambier, Ohio 43022

We have reviewed the *Report of Independent Accountants* of the Village of Gambier, Knox County prepared by Charles E. Harris & Associates, Inc. for the audit period January 1, 2009 through December 31, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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 *Report of Independent Accountants* 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 *Report of Independent Accountants* 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.

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Dave Yost
Auditor of State

September 15, 2011

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VILLAGE OF GAMBIER
KNOX COUNTY, OHIO
Audit Report
For the Years ended December 31, 2010 & 2009

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

REPORT OF INDEPENDENT ACCOUNTANTS

Village of Gambier
Knox County
115 Meadow Lane
Gambier, Ohio 43022

To the Village Council:

We have audited the accompanying financial statements of the Village of Gambier (Village), Knox County, Ohio as and for the years ended December 31, 2010 and 2009. 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared these 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 GAAP, we presume they are material.

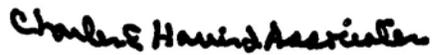
Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2010 and 2009. Instead of the combined funds the accompanying financial statements present for 2010 and 2009, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2010 and 2009. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since the Village does not use GAAP to measure financial statement amounts, 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, 2010 and 2009, 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, 2010 and 2009, or its changes in financial position or 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, as of December 31, 2010 and 2009, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the years ended December 31, 2010 and 2009. 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 July 8, 2011, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 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.



Charles E. Harris & Associates, Inc.
July 8, 2011

**VILLAGE OF GAMBIER
KNOX COUNTY, OHIO
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
For the Year Ended December 31, 2010**

	<u>Governmental Fund Types</u>			<u>(Memorandum Only) Total</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Permanent</u>	
RECEIPTS:				
Property and Local Taxes	\$ 597,787	-	-	\$ 597,787
Intergovernmental	47,294	\$ 23,875	-	71,169
Charges for Services	12,432	-	-	12,432
Fines, Licenses and Permits	25,788	-	-	25,788
Earnings on Investments	1,819	76	\$ 1	1,896
Miscellaneous	21,615	-	-	21,615
Total Cash Receipts	706,735	23,951	1	730,687
DISBURSEMENTS:				
Security of Persons and Property	145,089	-	-	145,089
Public Health Services	3,005	-	5	3,010
Leisure Time Activities	7,293	-	-	7,293
Basic Utilities	40,764	-	-	40,764
Community Environment	2,445	-	-	2,445
Transportation	17,466	11,482	-	28,948
General Government	382,216	-	-	382,216
Capital Outlay	65,508	-	-	65,508
Total Cash Disbursements	663,786	11,482	5	675,273
Cash Receipts Over/(Under) Cash Disbursements	42,949	12,469	(4)	55,414
Other Financing Sources:				
Other Financing Sources	6,919	-	-	6,919
Total Other Financing Sources	6,919	-	-	6,919
Excess of Cash Receipts and Other Financing Sources Over (Under) Cash Disbursements and Other Financing Uses	49,868	12,469	(4)	62,333
Fund Cash Balance, January 1, 2010	627,789	1,818	464	630,071
Fund Cash Balance, December 31, 2010	\$ <u>677,657</u>	\$ <u>14,287</u>	\$ <u>460</u>	\$ <u>692,404</u>

See Accompanying Notes to the Financial Statements

**VILLAGE OF GAMBIER
KNOX COUNTY, OHIO
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN
ALL PROPRIETARY FUND TYPES
For the Year Ended December 31, 2010**

	Proprietary Fund Type
	Enterprise
OPERATING CASH RECEIPTS:	
Charges for Services	\$ <u>948,420</u>
Total Operating Cash Receipts	948,420
OPERATING CASH DISBURSEMENTS:	
Personal Services	89,842
Contractual Services	220,693
Materials and Supplies	44,436
Capital Outlay	<u>204,432</u>
Total Operating Cash Disbursements	<u>559,403</u>
Operating Income (Loss)	389,017
NON OPERATING CASH RECEIPTS (DISBURSEMENTS):	
Earnings on Investment	1,214
Debt Service:	
Retirement of Principal	(282,200)
Interest and Fiscal Charges	<u>(65,493)</u>
Total Non Operating Cash Receipts (Disbursements)	(346,479)
Transfers-In	10,000
Transfers-Out	<u>(10,000)</u>
Excess of Cash Receipts Over/(Under) Cash Disbursements	42,538
Fund Cash Balance, January 1, 2010	<u>466,631</u>
Fund Cash Balance, December 31, 2010	\$ <u>509,169</u>

See Accompanying Notes to the Financial Statements

VILLAGE OF GAMBIER
KNOX COUNTY, OHIO
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
For the Year Ended December 31, 2009

	Governmental Fund Types			(Memorandum Only) Total
	General	Special Revenue	Permenent	
RECEIPTS:				
Property and Local Taxes	\$ 658,942	-	-	\$ 658,942
Intergovernmental	53,804	\$ 30,379	-	84,183
Charges for Services	13,495	-	-	13,495
Fines, Licenses and Permits	33,450	-	-	33,450
Earnings on Investments	2,491	33	\$ 4	2,528
Miscellaneous	20,530	-	-	20,530
Total Cash Receipts	782,712	30,412	4	813,128
DISBURSEMENTS:				
Security of Persons and Property	138,341	-	-	138,341
Pubic Health Services	3,179	-	-	3,179
Leisure Time Activities	5,198	-	-	5,198
Basic Utilities	36,232	-	-	36,232
Community Environment	2,424	9,177	-	11,601
Transportation	15,522	-	-	15,522
General Government	361,691	-	-	361,691
Capital Outlay	152,192	19,720	-	171,912
Total Cash Disbursements	714,779	28,897	-	743,676
Cash Receipts Over/(Under) Cash Disbursements	67,933	1,515	4	69,452
Other Financing Sources:				
Other Financing Sources	8,764	-	-	8,764
Total Other Financing Sources	8,764	-	-	8,764
Excess of Cash Receipts and Other Financing Sources Over (Under) Cash Disbursements and Other Financing Uses	76,697	1,515	4	78,216
Fund Cash Balance, January 1, 2009	551,092	303	460	551,855
Fund Cash Balance, December 31, 2009	\$ 627,789	\$ 1,818	\$ 464	\$ 630,071

See Accompanying Notes to the Financial Statements

**VILLAGE OF GAMBIER
KNOX COUNTY, OHIO
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN
ALL PROPRIETARY FUND TYPES
For the Year Ended December 31, 2009**

	Proprietary Fund Type
	Enterprise
OPERATING CASH RECEIPTS:	
Charges for Services	\$ <u>891,017</u>
Total Operating Cash Receipts	891,017
 OPERATING CASH DISBURSEMENTS:	
Personal Services	86,504
Contractual Services	209,905
Materials and Supplies	40,890
Capital Outlay	<u>70,051</u>
Total Operating Cash Disbursements	<u>407,350</u>
 Operating Income (Loss)	 483,667
 NON OPERATING CASH RECEIPTS (DISBURSEMENTS):	
Earnings on Investment	1,662
Debt Service:	
Retirement of Principal	(272,254)
Interest and Fiscal Charges	<u>(76,438)</u>
 Total Non Operating Cash Receipts (Disbursements)	 (347,030)
 Transfers-In	 10,000
Transfers-Out	<u>(10,000)</u>
 Excess of Cash Receipts Over/(Under) Cash Disbursements	 136,637
 Fund Cash Balance, January 1, 2009	 <u>329,994</u>
 Fund Cash Balance, December 31, 2009	 \$ <u><u>466,631</u></u>

See Accompanying Notes to the Financial Statements

**VILLAGE OF GAMBIER
KNOX COUNTY, OHIO
Notes to the Financial Statements
For The Years Ended December 31, 2010 & 2009**

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 by the Auditor of State.

C. CASH AND INVESTMENTS

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

The Village values certificates of deposits at cost.

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 reports all financial resources except those required to be accounted for in another fund.

VILLAGE OF GAMBIER
KNOX COUNTY, OHIO
Notes to the Financial Statements
For The Years Ended December 31, 2010 & 2009

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - (continued)

D. **FUND ACCOUNTING** - (continued)

2. **Special Revenue Funds**

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

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

3. **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.

4. **Enterprise Funds**

These funds are used to account for operations that are similar to private business enterprises where management intends that 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 the utility.

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

**VILLAGE OF GAMBIER
KNOX COUNTY, OHIO
Notes to the Financial Statements
For The Years Ended December 31, 2010 & 2009**

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 object level and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year-end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered balances 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. Encumbrances outstanding at year-end are cancelled.

F. PROPERTY, PLANT AND EQUIPMENT

The Village records disbursements for acquisition of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

G. ACCUMULATED LEAVE

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

VILLAGE OF GAMBIER
KNOX COUNTY, OHIO
Notes to the Financial Statements
For The Years Ended December 31, 2010 & 2009

2. **EQUITY IN POOLED CASH AND INVESTMENTS**

The Village maintains 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>2010</u>	<u>2009</u>
Demand Deposits	\$951,573	\$846,702
Certificates of Deposit	<u>250,000</u>	<u>250,000</u>
Total	<u>\$1,201,573</u>	<u>\$1,096,702</u>

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation; (2) collateralized by securities specifically pledged by the financial institution to the Village or (3) collateralized by the financial institution's public entity deposit pool.

3. **BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2010 & 2009 is as follows:

<u>Fund Type</u>	<u>2009 Budgeted vs. Actual Receipts</u>		
	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$708,301	\$791,476	\$83,175
Special Revenue	31,165	30,412	(753)
Permanent	2	4	2
Enterprise	913,150	902,679	(10,471)

<u>Fund Type</u>	<u>2009 Budgeted vs. Actual Budgetary Basis Expenditures</u>		
	<u>Total Appropriations</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$1,190,610	\$714,779	\$475,831
Special Revenue	31,045	28,897	2,148
Permanent	-	-	-
Enterprise	1,054,000	766,042	287,958

**VILLAGE OF GAMBIER
KNOX COUNTY, OHIO
Notes to the Financial Statements
For The Years Ended December 31, 2010 & 2009**

3. BUDGETARY ACTIVITY - (continued)

2010 Budgeted vs. Actual Receipts

	Budgeted	Actual	
	Receipts	Receipts	Variance
Fund Type			
General	728,301	\$713,654	(\$14,647)
Special Revenue	32,170	23,951	(8,219)
Permanent	1	1	-
Enterprise	935,314	959,634	24,320

2010 Budgeted vs. Actual Budgetary Basis Expenditures

	Total	Budgetary	
	Appropriations	Expenditures	Variance
Fund Type			
General	\$1,336,120	\$663,786	\$672,334
Special Revenue	33,960	11,482	22,478
Permanent	5	5	-
Enterprise	1,137,434	917,096	220,338

4. RETIREMENT SYSTEMS

Employees of the Village belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a state operated, cost sharing, multiple employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are prescribed by the Ohio Revised Code. OPERS members contributed 10% of their gross pay while the Village contributed an amount equal to 14% of covered payroll. The Village paid all required contributions through 2010.

5. LOCAL INCOME TAX

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

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

**VILLAGE OF GAMBIER
KNOX COUNTY, OHIO
Notes to the Financial Statements
For The Years Ended December 31, 2010 & 2009**

6. DEBT

Debt outstanding at December 31, 2010 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Mortgage Revenue Bonds 2201	\$206,000	5.00%
Mortgage Revenue Bonds 2202	\$61,000	5.00%
OPWC Loan # CQ926	62,010	0.00%
OPWC Loan # CQ29A	47,684	0.00%
OPWC Loan # CQ04F	70,486	0.00%
OPWC Loan # CQ33G	17,500	0.00%
OWDA Loan #2269	1,027,321	4.18%
	<u>\$1,492,001</u>	

The Mortgage revenue Bonds #2201 relates to the purchase of the Kenyon College Water System in 1978. The original loan was for \$868,000. The loan is collateralized by utility receipts and the full faith and credit of the Village.

The Mortgage revenue Bonds #2202 relates to the purchase of the Kenyon College Water System in 1978. The original loan was for \$558,000. The loan is collateralized by utility receipts and the full faith and credit of the Village.

The Ohio Public Works Commission (OPWC) loan #CQ926 relates to the Northeast Collection Replacement Line. The original loan was for \$206,700. The Village makes semi-annual payments of \$5,167. The loan has a maturity date of January 1, 2017. The loan is collateralized by utility receipts and the full faith and credit of the Village.

The Ohio Public Works Commission (OPWC) loan #CQ29A relates to the Chase Avenue Main Water Replacement. The original loan was for \$119,212. The Village makes semi-annual payments of \$2,980. The loan has a maturity date of January 1, 2019. The loan is collateralized by utility receipts and the full faith and credit of the Village.

The Ohio Public Works Commission (OPWC) loan #CQ04F relates to the Duff Street Storm Sewer project. The original loan was for \$108,440. The Village makes semi-annual payments of \$2,711. The loan has a maturity date of January 1, 2024. The loan is collateralized by utility receipts and the full faith and credit of the Village.

The Ohio Public Works Commission (OPWC) loan #CQ33G relates to the Duff Street/Meadow Lane Storm Sewer project. The original loan was for \$50,000. The Village makes semi-annual payments of \$2,500. The loan has a maturity date of July 1, 2014. The loan is collateralized by utility receipts and the full faith and credit of the Village.

The Ohio Water Development Authority (OWDA) loan #2269 relates to the wastewater treatment plant upgrades. The Village financed \$3,403,883. The Village makes semi-annual payments of \$126,404. The loan has a maturity date of July 1, 2015. The loan is collateralized by utility receipts and the full faith and credit of the Village.

**VILLAGE OF GAMBIER
KNOX COUNTY, OHIO
Notes to the Financial Statements
For The Years Ended December 31, 2010 & 2009**

7. **DEBT** - (continued)

Amortization of the above debt, including interest, is scheduled as follows:

Year Ending December 31	Mortgage Revenue Bond 2201	Mortgage Revenue Bond 2202	OPWC CQ926	OPWC CQ29A	OPWC CQ04F
2011	\$45,300	\$26,050	\$10,334	\$5,960	\$5,422
2012	44,550	25,900	10,334	5,960	5,422
2013	43,750	14,700	10,334	5,960	5,422
2014	42,900	0	10,334	5,960	5,422
2015	42,000	0	10,334	5,960	5,422
2016-2020	22,050	0	10,340	17,884	27,110
2021-2025	0	0	0	0	16,266
Total	\$240,550	\$66,650	\$62,010	\$47,684	\$70,486

Year Ending December 31	OWPC CQ33G	OWDA 2269
2011	\$5,000	\$252,808
2012	5,000	252,808
2013	5,000	252,808
2014	2,500	252,808
2015	0	252,808
Total	\$17,500	\$1,264,040

8. **RISK MANAGEMENT**

Through December 31, 2010, the Village belonged to the Ohio Government Risk Management Plan (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan was legally separate from its member governments.

On January 1, 2009, through an internal reorganization, the Plan created three separate non-profit corporations including:

- Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Risk Management Plan;
- Ohio Plan Healthcare Consortium, Inc. (OPHC) - formerly known as the Ohio Healthcare Consortium; and
- Ohio Plan, Inc. - mirrors the oversight function previously performed by the Board of Directors. The Board of Trustees consists of eleven (11) members that include appointed and elected officials from member organizations.

**VILLAGE OF GAMBIER
KNOX COUNTY, OHIO
Notes to the Financial Statements
For The Years Ended December 31, 2010 & 2009**

8. RISK MANAGEMENT - (continued)

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio. These coverage programs, referred to as Ohio Plan Risk management (“OPRM”), are developed specific to each member’s risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member’s exposure to loss, except OPRM retain 17.5% (15% through October 31, 2009) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty.

Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 725 members as of December 31, 2009. The Village participates in this coverage.

The Plan formed the Ohio Plan Healthcare Consortium (“OPHC”), as authorized by Section 9.833 of the Ohio Revised Code. The OPHC was established to provide cost effective employee benefit programs for Ohio political sub-divisions and is a self-funded, group purchasing consortium that offers medical, dental, vision and prescription drug coverage as well as life insurance for its members. The OPHC is sold through seventeen appointed independent agents in the State of Ohio.

Coverage programs are developed specific to each member’s healthcare needs and the related premiums for coverage are determined through the application of uniform underwriting criteria.

Variable plan options are available to members. These plans vary primarily by deductibles, coinsurance levels, office visit co-pays and out-of pocket maximums. OPHC had 60 members as of December 31, 2009. The Village does not participate in this coverage.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member’s covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settled claims have not exceeded this commercial coverage in any of the last three years. There have not been significant reductions in insurance coverage from last year.

The Pool’s audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2009 and 2008 (the latest information available), and include amounts for both OPRM and OPHC.

	<u>2009 OPRM</u>	<u>2009 OPHC</u>	<u>2009</u>	<u>2008</u>
Assets	\$11,176,186	\$1,358,802	\$12,534,988	\$10,471,114
Liabilities	<u>(4,852,485)</u>	<u>(1,253,617)</u>	<u>(6,106,102)</u>	<u>(5,286,781)</u>
Retained Earnings	<u>\$6,323,701</u>	<u>\$105,185</u>	<u>\$6,428,886</u>	<u>\$5,184,333</u>

**VILLAGE OF GAMBIER
KNOX COUNTY, OHIO
Notes to the Financial Statements
For The Years Ended December 31, 2010 & 2009**

8. RISK MANAGEMENT - (continued)

You can read the complete audited financial statements for OPRM and OPHC at the Plan's website, www.ohioplan.org.

The Village pays the State Worker's Compensation System a premium based on a rate per \$100 of salaries. The rate is calculated based on accident history and administrative costs.

9. CONTINGENT LIABILITIES

The Village may be a defendant in various lawsuits. Although, the outcome of the lawsuits is not presently determinable, in the opinion of legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the Village.

10. TRANSFERS

The Sewer Revenue Fund – Enterprise Fund transferred \$10,000 in both years to the Waste Water Loan Reserves Fund – Enterprise Fund. The transfers were made in accordance with the Ohio Revised Code.

11. LEGAL COMPLIANCE

Contrary to Ohio Revised Code Section 5705.41 (D), the Village did not always certify funds.

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

**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
Gambier, Ohio 43907

To the Village Council:

We have audited the financial statements of the Village of Gambier, Knox County, Ohio (the Village) as of and for the years ended December 31, 2010 & 2009, and have issued our report thereon dated July 8, 2011, 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Controls Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented or detected and timely corrected.

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

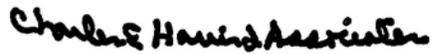
Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grants 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 such an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2010-VGKC-01.

The Village's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Village's response and, accordingly, we express no opinion on it.

We also noted certain matters that we have reported to management of the Village in a separate letter dated July 8, 2011.

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



Charles E. Harris and Associates, Inc.
July 8, 2011

VILLAGE OF GAMBIER
KNOX COUNTY

SCHEDULE OF FINDINGS
December 31, 2010 and 2009

<p>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</p>
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Finding Number 2010-VGKC-01 – Non-compliance Citation

Ohio Rev. Code Section 5705.41 (D) (1) prohibits a subdivision or taxing entity from making a contract or ordering any expenditure of money unless a certificate signed by a fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

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

1. "Then and Now Certificates" – If the fiscal officer can certify that both at the time that contract or order was made ("then") and at the time that the fiscal officer was completing the certification ("now"), that sufficient funds were available or in the process of collection, to credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for payment of the amount due. The Village has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.

2. Blanket Certificates - Fiscal officers may prepare "blanket" certificates for a certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of members of the legislative authority against any specific line item amount over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

3. Super Blanket Certificates – The Village may also make expenditures and contracts for any amount for a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most profession services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

VILLAGE OF GAMBIER
KNOX COUNTY

SCHEDULE OF FINDINGS (continued)
December 31, 2010 and 2009

<p>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (continued)</p>
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Finding Number 2010-VGKC-01 – Non-Compliance Citation (continued)

The Village did not make the proper certification of funds in all instances. Fifteen of 60 selections tested during the audit period had the certifications after the obligation date. We recommend that the Village institute the use of purchase orders for any expenditure to be made and certify expenditures prior to incurring the liability. In instances where prior certification is not practical, we recommend the issuance of a “Then and Now” certificate.

Management Response:

Management has always been conscientious about purchase orders and has never had this many exceptions. We will be doing random checks and deciding how we might need to change our procedures to comply.

VILLAGE OF GAMBIER
KNOX COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
December 31, 2010 and 2009

FINDING NUMBER	FUNDING SUMMARY	FULLY CORRECTED?	Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2008-01	Contrary to Ohio Rev. Code Section 5705.36 (A)(4), estimated resources are higher than actual receipts	Yes	No Longer valid



Dave Yost • 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
SEPTEMBER 29, 2011