

**VILLAGE OF OSTRANDER
DELAWARE COUNTY, OHIO**

*Financial Statements
(Audited)*

For The Years Ended
December 31, 2004 and 2003

DOROTHY WILCOX, CLERK/TREASURER



**Auditor of State
Betty Montgomery**

Village Council
Village of Ostrander
224 East High Street
Ostrander, Ohio 43082

We have reviewed the *Independent Accountant's Report* of the Village of Ostrander, Delaware County, prepared by Julian & Grube, Inc. for the audit period January 1, 2003 through December 31, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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's Office (AOS). Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Accountant's Report* on your financial statements. While the AOS 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 Accountant's Report* also includes an opinion on the financial statements using the regulatory format the AOS 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 Ostrander is responsible for compliance with these laws and regulations.

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BETTY MONTGOMERY
Auditor of State

October 12, 2005

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**VILLAGE OF OSTRANDER
DELAWARE COUNTY, OHIO**

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Accountant's Report.....	1 - 2
Combined Statement of Cash Fund Balances - All Fund Types - December 31, 2004 and 2003	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Fund Balances - All Governmental Fund Types - For The Year Ended December 31, 2004	4
Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Fund Balances - Proprietary Fund Type - For The Year Ended December 31, 2004	5
Combined Statement of Cash Receipts, Cash Disbursements, and Encumbrances Compared with Expenditure Authority - Budget and Actual - For The Year Ended December 31, 2004	6
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Fund Balances - All Governmental Fund Types - For The Year Ended December 31, 2003	7
Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Fund Balances - Proprietary Fund Type - For The Year Ended December 31, 2003	8
Combined Statement of Cash Receipts, Cash Disbursements, and Encumbrances Compared with Expenditure Authority - Budget and Actual - For The Year Ended December 31, 2003	9
Notes to the Financial Statements.....	10 - 19
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	20 - 21
Schedule of Findings.....	22 - 25
Schedule of Prior Audit Findings	26

JULIAN & GRUBE, INC.

“SERVING OHIO LOCAL GOVERNMENTS”

333 County Line Road West
Westerville, Ohio 43082

Telephone 614.846.1899
Facsimile 614.846.2799

Independent Accountant’s Report

Members of Council and Mayor
Village of Ostrander
224 E. High Street
Ostrander, OH 43082

We have audited the accompanying financial statements of the Village of Ostrander, Delaware County, (the “Village”) as of and for the years ended December 31, 2004 and 2003. 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 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 2, the Village prepared these financial statement 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 of Ostrander to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. While the Village of Ostrander 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 of Ostrander has elected not to reformat its statements. Since this Village of Ostrander 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 year ended December 31, 2004, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village of Ostrander, as of December 31, 2004, or its changes in financial position for the year then ended.

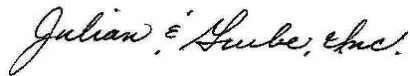
Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash fund balances of the Village of Ostrander, Delaware County, as of and for the years ended December 31, 2004 and 2003, and its combined cash receipts and disbursements and combined budgeted and actual receipts and budgeted and actual disbursements for the years then ended on the basis of accounting described in Note 2.

Independent Accountant's Report
Village of Ostrander
Page 2

As described in Note 3, the Village has restated its Capital Projects fund balance and cash balance as of January 1, 2003.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 22, 2005, on our consideration of the Government'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.

These comments are intended for the information of the Council and management of the Village of Ostrander and are not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
July 22, 2005

**VILLAGE OSTRANDER
DELAWARE COUNTY, OHIO**

COMBINED STATEMENT OF CASH FUND BALANCES
ALL FUND TYPES
DECEMBER 31, 2004 AND 2003

<u>Cash and Cash Equivalents</u>	<u>2004</u>	<u>2003</u>
Cash and Cash Equivalents	\$ 463,601	\$ 421,473
Total Cash and Cash Equivalents	<u>\$ 463,601</u>	<u>\$ 421,473</u>
 <u>Cash Fund Balances</u>		
<u>Governmental Fund Types:</u>		
General Fund	\$ 141,135	\$ 122,206
Special Revenue Funds	<u>39,597</u>	<u>32,532</u>
Total Governmental Funds	<u>180,732</u>	<u>154,738</u>
 <u>Proprietary Fund Type:</u>		
Enterprise Fund	<u>282,869</u>	<u>266,735</u>
Total Fund Balances	<u>\$ 463,601</u>	<u>\$ 421,473</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF OSTRANDER
DELAWARE COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN CASH FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>Governmental Fund Types</u>		Total (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash receipts:			
Local taxes	\$ 8,478	\$ -	\$ 8,478
Intergovernmental	31,544	26,146	57,690
Fines, licenses, and permits	40,225	-	40,225
Interest	1,761	173	1,934
Total cash receipts	<u>82,008</u>	<u>26,319</u>	<u>108,327</u>
Cash disbursements:			
Current:			
Security of persons and property	5,432	-	5,432
Public health services	503	-	503
Community environment	37,304	-	37,304
Transportation	-	19,254	19,254
General government	19,840	-	19,840
Total cash disbursements	<u>63,079</u>	<u>19,254</u>	<u>82,333</u>
Total cash receipts over cash disbursements	18,929	7,065	25,994
Cash fund balances, January 1, 2004	<u>122,206</u>	<u>32,532</u>	<u>154,738</u>
Cash fund balances, December 31, 2004	<u>\$ 141,135</u>	<u>\$ 39,597</u>	<u>\$ 180,732</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF OSTRANDER
DELAWARE COUNTY, OHIO**

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH
FUND BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2004

	Proprietary Fund Type
	Enterprise
Operating cash receipts:	
Charges for services	\$ 77,841
Total operating cash receipts	77,841
Operating cash disbursements:	
Personal services	1,870
Contractual services	33,121
Supplies and material	4,894
Total operating cash disbursements	39,885
Operating income	37,956
Nonoperating cash receipts/(disbursements):	
Special assessments	5,249
Debt service:	
Principal	(10,456)
Interest	(16,615)
Total nonoperating cash receipts/(disbursements)	(21,822)
Net cash receipts over cash disbursements	16,134
Cash fund balances, January 1, 2004	266,735
Cash fund balances, December 31, 2004	\$ 282,869

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

VILLAGE OF OSTRANDER
DELAWARE COUNTY, OHIO

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND ENCUMBRANCES COMPARED WITH EXPENDITURE
AUTHORITY - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2004

Fund Types	Receipts					Disbursements						
	County Certified Unencumbered Cash	Budget	Total Estimated Resources	Actual 2004 Receipts	Variance Favorable (Unfavorable)	Prior Year Carryover Appropriations	2004 Appropriations	Total	Actual 2004 Disbursements	Encumbrances Outstanding at 12/31/04	Total	Variance Favorable (Unfavorable)
Governmental:												
General	\$ 122,206	\$ 50,777	\$ 172,983	\$ 82,008	\$ 31,231	\$ -	\$ 99,195	\$ 99,195	\$ 63,079	\$ -	\$ 63,079	\$ 36,116
Special Revenue	32,532	21,507	54,039	26,319	4,812	-	51,400	51,400	19,254	-	19,254	32,146
Capital Projects	-	65,000	65,000	-	(65,000)	-	65,000	65,000	-	-	-	65,000
Proprietary:												
Enterprise	266,735	83,958	350,693	83,090	(868)	-	213,450	213,450	66,956	-	66,956	146,494
Total (Memorandum Only)	\$ 421,473	\$ 221,242	\$ 642,715	\$ 191,417	\$ (29,825)	\$ -	\$ 429,045	\$ 429,045	\$ 149,289	\$ -	\$ 149,289	\$ 279,756

**VILLAGE OF OSTRANDER
DELAWARE COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN CASH FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003

	Governmental Fund Types			Total (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash receipts:				
Local taxes	\$ 9,160	\$ -	\$ -	\$ 9,160
Intergovernmental	31,360	22,753	178,014	232,127
Fines, licenses, and permits	380	-	-	380
Interest	1,697	271	-	1,968
Miscellaneous	12	-	-	12
Total cash receipts	42,609	23,024	178,014	243,647
Cash disbursements:				
Current:				
Security of persons and property	5,433	-	-	5,433
Public health services	545	-	-	545
Community environment	1,797	-	-	1,797
Transportation	-	54,171	-	54,171
General government	25,798	-	-	25,798
Capital outlay	-	-	178,014	178,014
Total cash disbursements	33,573	54,171	178,014	265,758
Total cash receipts over/(under) cash disbursements	9,036	(31,147)	-	(22,111)
Cash fund balances, January 1, 2003 - (restated)	113,170	63,679	-	176,849
Cash fund balances, December 31, 2003	\$ 122,206	\$ 32,532	\$ -	\$ 154,738

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF OSTRANDER
DELAWARE COUNTY, OHIO**

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH
FUND BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2003

	Proprietary Fund Type
	Enterprise
Operating cash receipts:	
Charges for services	\$ 78,728
Total operating cash receipts	78,728
Operating cash disbursements:	
Personal services	996
Contractual services	29,173
Supplies and material	5,951
Total operating cash disbursements	36,120
Operating income	42,608
Nonoperating cash receipts/(disbursements):	
Special assessments	6,832
Debt service:	
Principal	(10,109)
Interest	(17,539)
Total nonoperating cash receipts/(disbursements)	(20,816)
Net cash receipts over cash disbursements	21,792
Cash fund balances, January 1, 2003	244,943
Cash fund balances, December 31, 2003	\$ 266,735

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

VILLAGE OF OSTRANDER
DELAWARE COUNTY, OHIO

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND ENCUMBRANCES COMPARED WITH EXPENDITURE
AUTHORITY - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2003

Fund Types	Receipts					Disbursements						
	County Certified Unencumbered Cash	Budget	Total Estimated Resources	Actual 2003 Receipts	Variance Favorable (Unfavorable)	Prior Year Carryover Appropriations	2003 Appropriations	Total	Actual 2003 Disbursements	Encumbrances Outstanding at 12/31/03	Total	Variance Favorable (Unfavorable)
Governmental:												
General	\$ 113,170	\$ 36,996	\$ 150,166	\$ 42,609	\$ 5,613	\$ -	\$ 97,744	\$ 97,744	\$ 33,573	\$ -	\$ 33,573	\$ 64,171
Special Revenue	63,679	24,000	87,679	23,024	(976)	-	90,700	90,700	54,171	-	54,171	36,529
Capital Projects	32,088	207,000	239,088	178,014	(28,986)	32,088	207,000	239,088	178,014	-	178,014	61,074
Proprietary:												
Enterprise	244,943	87,710	332,653	85,560	(2,150)	-	209,350	209,350	63,768	-	63,768	145,582
Total (Memorandum Only)	\$ 453,880	\$ 355,706	\$ 809,586	\$ 329,207	\$ (26,499)	\$ 32,088	\$ 604,794	\$ 636,882	\$ 329,526	\$ -	\$ 329,526	\$ 307,356

**VILLAGE OF OSTRANDER
DELAWARE COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

NOTE 1 - DESCRIPTION OF THE ENTITY

The Village of Ostrander, Delaware 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 general governmental services, including sewer utility.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The most significant of the Village's accounting policies are described below.

A. BASIS OF PRESENTATION - FUND ACCOUNTING

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

Governmental Fund Types

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.

Special Revenue Fund

This fund is used to account for proceeds of specific revenue sources (other than from trusts or for capital projects) that are legally 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, maintaining and repairing Village streets.

**VILLAGE OF OSTRANDER
DELAWARE COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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 projects fund:

Community Development Block Grant Fund - This fund uses proceeds of pass-through grants for sewer construction improvements from Delaware County. No pass-through monies were received in 2004.

Proprietary Fund Type

Enterprise Funds

This fund accounts 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 enterprise fund:

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

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).

**VILLAGE OF OSTRANDER
DELAWARE COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

C. BUDGETARY PROCESS

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. The primary level of budgetary control is at the item level within a department and fund. Any budgetary modifications at this level may only be made by resolution of the Village's Council. The Village had several budget modifications throughout the years ended December 31, 2004 and 2003.

Tax Budget:

A budget of estimated cash receipts and disbursements is submitted to the County Auditor, as secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year. All funds, except certain agency funds, are legally required to be budgeted. The expressed purpose of the tax budget is to reflect the need for existing (or increased) tax rates. Delaware County waived this requirement for 2004 and 2003.

Estimated Resources:

The County Budget Commission determines if the budget substantiates a need to levy the full amount of authorized property tax rates and reviews receipt estimates. The County Budget Commission certifies its actions to the Village by September 1. As part of this certification, the Village receives the official certificate of estimated resources, which states the projected receipts of each fund. On or about January 1, the certificate is amended to include unencumbered fund balances at December 31 of the preceding year. Further amendments may be made during the year if the Village determines that receipts collected will be greater than or less than the prior estimates, and the Budget Commission find the revised estimates to be reasonable. Prior to December 31, the Village must revise its budget so that the total contemplated expenditures from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure.

**VILLAGE OF OSTRANDER
DELAWARE COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Appropriations:

A temporary appropriation measure to control cash disbursements may be passed on or about January 1 of each year for the period January to March 31. An annual appropriation measure must be passed by April 1 of each year for the period January 1 to December 31. The appropriations measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

Encumbrances:

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation.

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated. There were no outstanding encumbrances at December 31, 2004 and December 31, 2003. The Village did not use the encumbrance method of accounting.

D. CASH AND CASH EQUIVALENTS

For reporting purposes, the Village considers "Cash and Cash Equivalents" to be cash on hand, demand deposits, and all investments held by the Village with a maturity date less than or equal to three months from the date of purchase. Interest income earned and received by the Village totaled \$1,934 and \$1,968 for the years ended December 31, 2004 and 2003, respectively.

E. PROPERTY, PLANT AND EQUIPMENT

Capital assets are not capitalized in any of the Village's funds. Instead, capital acquisition and construction costs are reflected as expenditures in the fund in the year expended. The costs of normal maintenance and repairs are also expended, along with improvements. Depreciation is not recorded by the Village.

**VILLAGE OF OSTRANDER
DELAWARE COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

F. INTERGOVERNMENTAL REVENUES

Intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursable basis are recorded when received in accordance with the Village's cash basis method of accounting.

G. TOTAL COLUMNS ON FINANCIAL STATEMENTS

Total columns on the financial statements are captioned "Total (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Interfund-type eliminations have not been made in the aggregation of this data.

NOTE 3 - PRIOR PERIOD ADJUSTMENT

The Village is restating its Capital Project fund balance and cash balance at January 1, 2003. The prior period adjustment is due to prior year audit including cash that was not held by the Village. The prior period adjustment above had the following effects on the Village's fund balance and cash balance.

	<u>Capital Projects Cash and Fund Balance</u>	<u>Village's Cash</u>
Balance 01/01/03	\$ 32,088	\$ 453,880
Prior Period Adjustment	<u>(32,088)</u>	<u>(32,088)</u>
Restated Balances 01/01/03	<u>\$ -</u>	<u>\$ 421,792</u>

NOTE 4 - COMPLIANCE

In noncompliance with Ohio Revised Code Section 5705.39, the following fund had appropriations in excess of estimated resources for the year ended December 31, 2003:

<u>Fund Type/Fund</u>	<u>Excess</u>
Special Revenue Fund:	
Street Construction, Maintenance & Repair	\$ 3,021

**VILLAGE OF OSTRANDER
DELAWARE COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

NOTE 5 - CASH AND CASH EQUIVALENTS

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

	<u>2004</u>	<u>2003</u>
Deposits:		
Demand deposits	\$ <u>463,601</u>	\$ <u>421,473</u>
 Total Cash and Cash Equivalents	 \$ <u>463,601</u>	 \$ <u>421,473</u>

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation or (2) collateralized by the financial institution's public entity deposit pool.

NOTE 6 - PROPERTY TAX

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

Public utilities are also taxed on personal and real property located within the Village.

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

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

**VILLAGE OF OSTRANDER
DELAWARE COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

NOTE 7 - DEBT OBLIGATIONS

At December 31, 2004, debt obligations consisted of the following issuances:

<u>Description</u>	<u>Balance at 12/31/04</u>	<u>Balance at 12/31/03</u>
1993 Ohio Water Development Authority (USDA) note for sewer system, due in semi-annual installments of \$6,607 through 2017, bearing interest at 7.50%.	\$ 104,794	\$ 109,775
1992 United States Department of Agriculture (USDA) Rural Development, Sanitary Sewer System Mortgage Revenue Bonds, due in annual installments of varying amounts through 2032, bearing interest at 5.625%.	<u>153,300</u>	<u>158,775</u>
Total debt obligations	<u>\$ 258,094</u>	<u>\$ 268,550</u>

Transactions for the years ended December 31, 2004 and 2003 are summarized as follows:

	<u>Balance at 01/01/04</u>	<u>Proceeds</u>	<u>Principal Retirement</u>	<u>Balance at 12/31/04</u>
<u>2004</u>				
1993 OWDA	\$ 109,775	\$ -	\$ (4,981)	\$ 104,794
1992 USDA	<u>158,775</u>	<u>-</u>	<u>(5,475)</u>	<u>153,300</u>
Total	<u>\$ 268,550</u>	<u>\$ -</u>	<u>\$ (10,456)</u>	<u>\$ 258,094</u>
	<u>Balance at 01/01/03</u>	<u>Proceeds</u>	<u>Principal Retirement</u>	<u>Balance at 12/31/03</u>
<u>2003</u>				
1993 OWDA	\$ 114,409	\$ -	\$ (4,634)	\$ 109,775
1992 USDA	<u>164,250</u>	<u>-</u>	<u>(5,475)</u>	<u>158,775</u>
Total	<u>\$ 278,659</u>	<u>\$ -</u>	<u>\$ (10,109)</u>	<u>\$ 268,550</u>

**VILLAGE OF OSTRANDER
DELAWARE COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

NOTE 7 - DEBT OBLIGATIONS - (Continued)

The principal and interest requirements to retire the debt obligations outstanding at December 31, 2004 are as follows:

Year Ending December 31,	OWDA NOTE		USDA BONDS	
	Principal	Interest	Principal	Interest
2005	\$ 2,581	\$ 4,026	\$ 5,475	\$ 8,623
2006	5,548	7,666	5,475	8,315
2007	5,964	7,250	5,475	8,007
2008	6,412	6,802	5,475	7,699
2009	6,892	6,322	5,475	7,391
2010 - 2014	43,036	23,034	27,375	32,335
2015 - 2019	34,361	5,281	27,375	24,638
2020 - 2024	-	-	27,375	16,940
2025 - 2029	-	-	27,375	9,240
2030 - 2032	-	-	16,425	1,848
Total	<u>\$ 104,794</u>	<u>\$ 60,381</u>	<u>\$ 153,300</u>	<u>\$ 125,036</u>

During the years ended December 31, 2004 and 2003, OWDA granted the Village interest credit enhancements in the amount of \$280 and \$280, respectively.

NOTE 8 - DEBT COVENANT

The Village's USDA mortgage revenue bond debt covenant requires the Village to create a separate fund to maintain one years debt payment of principal and interest. This money may be used with permission by USDA to cover maintenance costs. As of December 31, 2004, while the Village Council has earmarked \$50,000 for this purpose, a separate fund has not been created in noncompliance with Ohio Revised Code Section 5705.09.

NOTE 9 - RETIREMENT SYSTEM

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

**VILLAGE OF OSTRANDER
DELAWARE COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

NOTE 9 - RETIREMENT SYSTEM - (Continued)

Contribution rates are also prescribed by the Ohio Revised Code. OPERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries. As of December 31, 2004, the Village did not have an unpaid liability for 2004. All amounts for 2003 have been paid.

NOTE 10 - RISK MANAGEMENT

The Village belongs to the Ohio Government Risk Management Plan (the "Plan"), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 500 Ohio governments ("Members").

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each Member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the Member's deductible.

The Plan issues its own policies and reinsures with A-VII or better rated carriers, except for a 5% portion retained by the Plan. After September 1, 2003, the Plan pays the lesser of 5% or \$25,000 of casualty losses and the lesser of 5% or \$50,000 of property losses. The individual members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

The Plan's audited financial statements conform with accounting principles generally accepted in the United States of America, and reported the following assets, liabilities and retained earnings at December 31, 2004, and 2003 (the latest information available):

	2004	2003	
Assets	\$ 6,685,522	\$ 5,402,167	
Liabilities	(2,227,808)	(1,871,123)	
Members' Equity	\$ 4,457,714	\$ 3,531,044	

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan's website, www.ohioplan.org.

**VILLAGE OF OSTRANDER
DELAWARE COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

NOTE 11 - CONTINGENT LIABILITIES

The Village is not currently involved in litigation.

JULIAN & GRUBE, INC.

“SERVING OHIO LOCAL GOVERNMENTS”

333 County Line Road West
Westerville, OH 43082

Telephone 614.846.1899
Facsimile 614.846.2799

Independent Accountants’ Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*

Members of Council and Mayor
Village of Ostrander
224 E. High Street
Ostrander, Ohio 43061

We have audited the financial statements of the Village of Ostrander (the “Village”) as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated July 22, 2005, 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. In addition, as described in Note 3, the Village has restated its Capital Projects fund balance and cash balance as of January 1, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States’ *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Ostrander’s internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village’s ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as 2004-VOO-004.

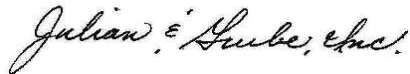
A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness. In addition, however, we noted certain matters involving the internal control over financial reporting that we have reported to the management of the Village of Ostrander in a separate letter dated July 27, 2005.

Members of Council and Mayor
Village of Ostrander

Compliance and Other Matters

As part of reasonably assuring whether the Village of Ostrander'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 three instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2004-VOO-001, 2004-VOO-002 and 2004-VOO-003. We also noted a certain immaterial instance of noncompliance that we have reported to management of the Village of Ostrander in a separate letter dated July 22, 2005.

This report is intended for the information of the Council and management of the Village of Ostrander and are not intended to be and should not be used by anyone other than these specified parties.



Julian & Grube, Inc.
July 22, 2005

**VILLAGE OF OSTRANDER
DELAWARE COUNTY, OHIO**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003**

1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
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Finding Number	2004-VOO-001
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Ohio Revised Code Section 5705.41(D) requires that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

It was noted during the audit that the Village Clerk/Treasurer does not certify expenditures with a purchase order.

Without certification, the Village may expend more funds than available in the Treasury, in the process of collection or then funds appropriated. It may also result in unnecessary purchases.

We recommend that all orders or contracts involving the expenditure of money be timely certified to ensure all monies expended are lawfully appropriated and available in the treasury or in the process of collection. A policy and procedure statement adopted by the Council and distributed at least annually may be beneficial. The Village should consider using "Then" and "Now" certificates where applicable.

Client response:

The Clerk/Treasurer is attempting to create and utilize the purchase order system.

**VILLAGE OF OSTRANDER
DELAWARE COUNTY, OHIO**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003**

1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2004-VOO-002

Ohio Revised Code Section 5705.39 requires that the total appropriation from each fund should not exceed total estimated resources.

It was noted during the audit that the total appropriations exceeded the total estimated resources for the year ended December 31, 2003 as follows:

<u>Fund Type/Fund</u>	<u>Excess</u>
Special Revenue Fund:	
Street Construction, Maintenance & Repair	\$ 3,021

With appropriations exceeding estimated resources, the Village is appropriating monies that are not in the Treasury or in the process of collection that have been certified with the County Auditor. Thus, over appropriating may cause expenditures to increase and cause a deficit fund balance.

We recommend that the Village comply with the Ohio Revised Code by monitoring appropriations so they do not exceed estimated resources. This may be achieved by monitoring the budget more closely on a continual basis and amending estimated resources or appropriations as necessary.

Client response:

The Village Clerk/Treasurer is attempting to request additional amended certificates when notified of additional monies received prior to appropriation.

Finding Number	2004-VOO-003
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Ohio Revised Code Section 5705.09 establishes the requirement of funds, specifically a sinking fund when a subdivision has outstanding bonds. It was noted during the audit that the Village has outstanding debt with USDA. This debt covenant requires that a separate fund be established to maintain at a minimum one years debt payment. Per the debt covenant, these funds may be used upon the approval of the USDA for maintenance.

It was noted during the audit that while \$50,000 has been earmarked by the Council for this reserve fund and the funds are available per the Village's Sewer bank account statement, a separate fund has not been established.

**VILLAGE OF OSTRANDER
DELAWARE COUNTY, OHIO**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003**

1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2004-VOO-003 - (Continued)

We recommend that the Village establish the sinking fund by segregating a specific fund to account for these monies. This will signify on the Village's records that this money is earmarked.

Client response:

The Village Clerk/Treasurer will set up a sewer sinking fund to satisfy this requirement.

Finding Number	2004-VOO-004
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Reportable Condition-Monitoring Controls

Appropriate financial reports were not provided to the Village Council to provide effective monitoring over financial operations.

The Village Council should monitor the financial operations of the Village regularly. Such monitoring should include review of budget versus actual data, detailed receipt reports, detailed expenditure reports and cash journals.

Monitoring should be performed to ensure that management's objectives are being achieved, including operational, legal compliance, and financial control objectives. Effective monitoring should entail identifying unexpected results or exceptions (including significant compliance exceptions), investigating underlying causes, and taking corrective action.

To assist management in detecting potential material financial and/or compliance transactions that may effect financial operations, we recommend the Village Council become more involved in the review and monitoring of the Village financial operations. Some of the methods of monitoring may consist of, but may not be limited to, the following:

- Regular review of monthly budget to actual figures;
- Regular review of financial report summaries of sufficient detail (monthly detailed receipts, expenditures, and fund balance reports and their respective fluctuations);
- Review of receipts/expenditures with independently accumulated information (budgets, past performance, etc.);
- Review of all expenditures;

**VILLAGE OF OSTRANDER
DELAWARE COUNTY, OHIO**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003**

**1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

Finding Number

2004-VOO-004 - (Continued)

- Review of unusual or significant items, long outstanding items, and;
- Review of monthly bank reconciliations.

Client response:

The Clerk/Treasurer will attempt to consolidate data to present on a monthly basis to the Village Council, along with supporting detailed information.

**VILLAGE OF OSTRANDER
DELAWARE COUNTY, OHIO**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2004 and 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2002-001	Ohio Revised Code Section 5705.41 (D) requiring that no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached.	No	Repeated as finding 2004-VOO-001.
2002-002	Appropriate financial reports were not provided to the Village Council to provide effective monitoring over financial operations	No	Repeated as finding 2004-VOO-004.



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

VILLAGE OF OSTRANDER

DELAWARE 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
NOVEMBER 10, 2005**