



**Auditor of State
Betty Montgomery**

VILLAGE OF OSTRANDER
DELAWARE COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Village of Ostrander
Delaware County
P.O. Box 35
19 South Main Street
Ostrander, Ohio 43061

To the Village Council:

We have audited the accompanying financial statements of the Village of Ostrander, Delaware County, Ohio, (the Village) as of and for the years ended December 31, 2002, and December 31, 2001. 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 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 discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the fund cash balances and reserves for encumbrances of the Village as of December 31, 2002, and December 31, 2001, and its cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 29, 2003, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of management, the Village Council, and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

BETTY MONTGOMERY
Auditor of State

April 29, 2003

**VILLAGE OF OSTRANDER
DELAWARE COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$6,773	\$0	\$0	\$6,773
Intergovernmental Receipts	32,209	22,169	124,000	178,378
Fines, Licenses, and Permits	705	0	0	705
Earnings on Investments	3,339	1,063	0	4,402
	<u>43,026</u>	<u>23,232</u>	<u>124,000</u>	<u>190,258</u>
Total Cash Receipts				
	<u>43,026</u>	<u>23,232</u>	<u>124,000</u>	<u>190,258</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	5,455	0	0	5,455
Public Health Services	495	0	0	495
Leisure Time Activities	60	0	0	60
Community Environment	2,012	0	0	2,012
Transportation	0	38,337	0	38,337
General Government	13,051	145	0	13,196
Capital Outlay	0	0	91,912	91,912
	<u>21,073</u>	<u>38,482</u>	<u>91,912</u>	<u>151,467</u>
Total Cash Disbursements				
	<u>21,073</u>	<u>38,482</u>	<u>91,912</u>	<u>151,467</u>
Total Receipts Over/(Under) Disbursements	21,953	(15,250)	32,088	38,791
Fund Cash Balances, January 1, 2002	91,217	78,929	0	170,146
	<u>91,217</u>	<u>78,929</u>	<u>0</u>	<u>170,146</u>
Fund Cash Balances, December 31, 2002	<u>\$113,170</u>	<u>\$63,679</u>	<u>\$32,088</u>	<u>\$208,937</u>
Reserves for Encumbrances, December 31, 2002	<u>\$0</u>	<u>\$0</u>	<u>\$32,088</u>	<u>\$32,088</u>

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

**VILLAGE OF OSTRANDER
DELAWARE COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCE
ENTERPRISE FUND
FOR THE YEAR ENDED DECEMBER 31, 2002**

	Enterprise
Operating Cash Receipts:	
Charges for Services	\$83,830
Special Assessment	\$ 6,511
Earnings on Investment	2,133
	92,474
Total Operating Cash Receipts	92,474
Operating Cash Disbursements:	
Personal Services	964
Contractual Services	31,438
Supplies and Materials	4,216
Other	124
	36,742
Total Operating Cash Disbursements	36,742
Operating Income	55,732
Non-Operating Cash Disbursements:	
Debt Service	33,600
Miscellaneous	2,127
	35,727
Total Non-Operating Cash Disbursements	35,727
Net Receipts Over Disbursements	20,005
Fund Cash Balance, January 1, 2002	224,938
Fund Cash Balance, December 31, 2002	\$244,943

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

**VILLAGE OF OSTRANDER
DELAWARE COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$6,553	\$0	\$6,553
Intergovernmental Receipts	47,111	21,918	69,029
Fines, Licenses, and Permits	530	0	530
Earnings on Investments	5,941	1,325	7,266
Total Cash Receipts	60,135	23,243	83,378
Cash Disbursements:			
Current:			
Security of Persons and Property	5,552	0	5,552
Public Health Services	601	0	601
Community Environment	4,390	0	4,390
Transportation	0	35,780	35,780
General Government	12,612	486	13,098
Capital Outlay	10,800	0	10,800
Total Cash Disbursements	33,955	36,266	70,221
Total Receipts Over/(Under) Disbursements	26,180	(13,023)	13,157
Fund Cash Balances, January 1, 2001	65,037	91,952	156,989
Fund Cash Balances, December 31, 2001	<u>\$91,217</u>	<u>\$78,929</u>	<u>\$170,146</u>

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

**VILLAGE OF OSTRANDER
DELAWARE COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCE
ENTERPRISE FUND
FOR THE YEAR ENDED DECEMBER 31, 2001**

	Enterprise
Operating Cash Receipts:	
Charges for Services	\$91,424
Special Assessment	6,817
Total Operating Cash Receipts	98,241
Operating Cash Disbursements:	
Personal Services	1,047
Contractual Services	28,134
Supplies and Materials	7,914
Capital Outlay	15,991
Total Operating Cash Disbursements	53,086
Operating Income	45,155
Non-Operating Cash Disbursements:	
Debt Service	28,790
Miscellaneous	2,632
Total Non-Operating Disbursements	31,422
Net Receipts Over Disbursements	13,733
Fund Cash Balance, January 1, 2001	211,205
Fund Cash Balance, December 31, 2001	\$224,938

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

**VILLAGE OF OSTRANDER
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. 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 a sewer utility.

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. Fund Accounting

The Village uses fund accounting to segregate cash that is 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 Fund

This fund is 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 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**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. 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 Capital Projects Fund:

Community Development Block Grant fund - This fund uses proceeds of federal grants for sewer construction improvements.

4. Enterprise Fund

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 this utility.

D. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, 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. Unencumbered 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. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Village did not use the encumbrance method of accounting except for one federal transaction.

A summary of 2002 and 2001 budgetary activity appears in Note 3.

**VILLAGE OF OSTRANDER
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. 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.

2. EQUITY IN POOLED CASH

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

	2002	2001
Demand deposits	\$453,880	\$395,084

Deposits: Deposits are either insured by the Federal Depository Insurance Corporation, or collateralized by securities specifically pledged by the financial institution to the Village.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2002 and December 31, 2001 follows:

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$45,746	\$43,026	(\$2,720)
Special Revenue	24,750	23,232	(1,518)
Capital Projects	95,200	124,000	28,800
Enterprise	124,000	92,474	(31,526)
Total	\$289,696	\$282,732	(\$6,964)

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$94,530	\$21,073	\$73,457
Special Revenue	79,700	38,482	41,218
Capital Projects	124,000	124,000	0
Enterprise	215,100	72,469	142,631
Total	\$513,330	\$256,024	\$257,306

**VILLAGE OF OSTRANDER
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$45,179	\$60,135	\$14,956
Special Revenue	24,500	23,243	(1,257)
Enterprise	132,544	98,241	(34,303)
Total	\$202,223	\$181,619	(\$20,604)

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$91,175	\$33,955	\$57,220
Special Revenue	79,700	36,266	43,434
Enterprise	206,800	84,508	122,292
Total	\$377,675	\$154,729	\$222,946

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the 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 the following June 20.

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

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

5. DEBT

Debt outstanding at December 31, 2002 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan	\$114,409	7.50%
GE Capital Mortgage Revenue Bonds	164,250	5.63%
Total	\$278,659	

**VILLAGE OF OSTRANDER
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

5. DEBT (Continued)

The Ohio Water Development Authority (OWDA) loan relates to a sewer plant expansion project incurred by the Village in 1994. The OWDA has approved \$147,297 for this project. The loans will be repaid in semiannual installments of \$6,607, including interest, over 20 years. Additionally, the Village issued \$219,000 in mortgage bonds. Sanitary Sewer Mortgage Bonds are to be repaid in annual installments of \$5,547, plus interest. The scheduled payments are in accordance with the amortization schedules.

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

Year ending December 31:	OWDA Loan	Sewer Mortgage Bonds
2003	\$13,214	\$14,714
2004	13,214	14,406
2005	13,214	14,098
2006	13,214	13,790
2007	13,214	13,482
2008-20013	125,535	233,886
Total	<u>\$191,606</u>	<u>\$304,376</u>

6. RETIREMENT SYSTEM

The Village's employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plans. 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 also prescribed by the Ohio Revised Code. For 2002 and 2001, members of PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2001 and 2002. The Village has paid all contributions required through December 31, 2002.

7. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Public Official's liability
- Property (fleet and fire)

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**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Village of Ostrander
Delaware County
P.O. Box 35
19 South Main Street
Ostrander, Ohio 43061

To the Village Council:

We have audited the accompanying financial statements of the Village of Ostrander, Delaware County, Ohio, (the Village) as of and for the years ended December 31, 2002, and December 31, 2001, and have issued our report thereon dated April 29, 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2002-001. We also noted a certain immaterial instance of noncompliance that we have reported to management of the Village in a separate letter dated April 29, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a 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 item 2002-002.

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.

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

BETTY MONTGOMERY
Auditor of State

April 29, 2003

**VILLAGE OF OSTRANDER
DELAWARE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
--

FINDING NUMBER 2002- 001

Noncompliance Citation- Encumbering

Ohio Rev. Code Section 5705.41(D) states, in part, that no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment 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. The amount so certified shall be recorded against the applicable appropriation account.

This section also provides two exceptions to the above requirements:

- A. Then and Now Certificates – If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Village may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.

- B. If the amount involved is less than one thousand dollars the fiscal officer may authorize it to be paid without the affirmation of the Village Council. In April, 2003, the amount changed to three thousand dollars.

None of the expenditures tested were certified by the Clerk/Treasurer. Certification is not only required by Ohio law, but it is also a key control in the disbursement process to assure that purchase commitments receive prior approval, and to help reduce the possibility of Village funds being over expended or exceeding budgetary spending limitations as set by the Council.

To improve controls, we recommend for all disbursements, the Village utilize a purchase order system and that the Clerk/Treasurer certify that funds are or will be available. When prior certification is not possible, then and now certification should be used.

FINDING NUMBER 2002- 002

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.

**VILLAGE OF OSTRANDER
DELAWARE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2002- 002 (Continued)

Reportable Condition- Monitoring Controls (Continued)

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

VILLAGE OF OSTRANDER
DELAWARE COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2002 AND DECEMBER 31, 2001

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2000-30621-001	"Revised Code 5705.41(D), failure to certify funds	No	This noncompliance citation has been repeated from previous audit.



**Auditor of State
Betty Montgomery**

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Columbus, Ohio 43216-1140

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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
JUNE 24, 2003**