

**VILLAGE OF OSTRANDER
DELAWARE COUNTY, OHIO**

*Financial Statements
(Audited)*

For The Years Ended
December 31, 2006 and 2005

DOROTHY WILCOX, CLERK/TREASURER



Mary Taylor, CPA

Auditor of State

Village Council
Village of Ostrander
224 E. High Street
Ostrander, Ohio 43082

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

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

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

July 13, 2007

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**VILLAGE OF OSTRANDER
DELAWARE COUNTY, OHIO**

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Julian & Grube, Inc.
Serving Ohio Local Governments

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Independent Auditor'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, 2006 and 2005. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to 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 years ended December 31, 2006 and 2005. Instead of the combined funds the accompanying financial statements present for 2006 and 2005, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2006 and 2005. 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 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 the 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 years ended December 31, 2006 and 2005, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village of Ostrander, as of December 31, 2006 and 2005, or its changes in financial position or cash flows of its proprietary funds for the years 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, 2006 and 2005, 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.

As disclosed in Note 3 to the financial statements, the Village has presented a prior period adjustment to restate fund balances at January 1, 2005 to correct balances.

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, 2006 and 2005. The Village has not represented 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 May 22, 2007, 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.

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

Julian & Grube, Inc.
May 22, 2007

**VILLAGE OSTRANDER
DELAWARE COUNTY, OHIO**

COMBINED STATEMENT OF CASH FUND BALANCES
ALL FUND TYPES
DECEMBER 31, 2006 AND 2005

<u>Cash and Cash Equivalents</u>	2006	2005
Cash and Cash Equivalents	\$ 594,173	\$ 528,560
Total Cash and Cash Equivalents	\$ 594,173	\$ 528,560
 <u>Cash Fund Balances</u>		
<u>Governmental Fund Types:</u>		
General Fund	\$ 136,289	\$ 181,343
Special Revenue Funds	31,587	38,477
Total Governmental Funds	167,876	219,820
 <u>Proprietary Fund Type:</u>		
Enterprise Funds	426,297	308,740
Total Fund Balances	\$ 594,173	\$ 528,560

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, 2006

	<u>Governmental Fund Types</u>			Total (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash receipts:				
Local taxes	\$ 10,512	\$ -	\$ -	\$ 10,512
Intergovernmental	31,608	26,783	264,021	322,412
Charges for services	22	-	-	22
Fines, licenses, and permits	78,291	-	-	78,291
Interest	12,415	625	-	13,040
Miscellaneous	2,158	-	-	2,158
Total cash receipts	<u>135,006</u>	<u>27,408</u>	<u>264,021</u>	<u>426,435</u>
Cash disbursements:				
Current:				
Security of persons and property	17,696	-	-	17,696
Public health services	387	-	-	387
Community environment	75,264	-	-	75,264
Transportation	-	38,476	-	38,476
General government	46,963	-	-	46,963
Capital outlay	750	34,822	264,021	299,593
Total cash disbursements	<u>141,060</u>	<u>73,298</u>	<u>264,021</u>	<u>478,379</u>
Total cash receipts (under) cash disbursements	<u>(6,054)</u>	<u>(45,890)</u>	<u>-</u>	<u>(51,944)</u>
Other financing receipts/(disbursements):				
Operating transfers in	-	39,000	-	39,000
Operating transfers out	(39,000)	-	-	(39,000)
Total other financing receipts/(disbursements)	<u>(39,000)</u>	<u>39,000</u>	<u>-</u>	<u>-</u>
Excess of cash receipts and other financing receipts (under) cash disbursements and other financing disbursements	(45,054)	(6,890)	-	(51,944)
Cash fund balances, January 1, 2006	<u>181,343</u>	<u>38,477</u>	<u>-</u>	<u>219,820</u>
Cash fund balances, December 31, 2006	<u>\$ 136,289</u>	<u>\$ 31,587</u>	<u>\$ -</u>	<u>\$ 167,876</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 - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2006

	Proprietary Fund Type
	Enterprise
Operating cash receipts:	
Charges for services	\$ 80,466
Tap Fees	104,500
Other miscellaneous	34,552
Total operating cash receipts	219,518
Operating cash disbursements:	
Personal services	15,886
Contractual services	50,857
Supplies and material	3,575
Capital outlay	9,834
Total operating cash disbursements	80,152
Operating income	139,366
Nonoperating cash receipts/(disbursements):	
Special assessments	4,698
Debt service:	
Principal	(11,231)
Interest	(15,276)
Total nonoperating cash receipts/(disbursements)	(21,809)
Net cash receipts over cash disbursements	117,557
Cash fund balances, January 1, 2006	308,740
Cash fund balances, December 31, 2006	\$ 426,297

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, 2006

Fund Types	Receipts					Disbursements					Variance Favorable (Unfavorable)	
	County Certified Unencumbered Cash	Budget	Total Estimated Resources	Actual 2006 Receipts	Variance Favorable (Unfavorable)	Prior Year Carryover Appropriations	2006 Appropriations	Total	Actual 2006 Disbursements	Encumbrances Outstanding at 12/31/06		Total
Governmental:												
General	\$ 181,343	\$ 194,675	\$ 376,018	\$ 135,006	\$ (59,669)	\$ -	\$ 205,988	\$ 205,988	\$ 180,060	\$ -	\$ 180,060	\$ 25,928
Special Revenue	38,477	64,001	102,478	66,408	2,407	-	102,250	102,250	73,298	-	73,298	28,952
Capital Projects	-	296,164	296,164	264,021	(32,143)	-	296,163	296,163	264,021	-	264,021	32,142
Proprietary:												
Enterprise	306,740	180,899	489,639	224,216	43,317	-	246,200	246,200	106,659	-	106,659	139,541
Total	\$ 528,560	\$ 735,739	\$ 1,264,299	\$ 689,651	\$ (46,088)	\$ -	\$ 850,601	\$ 850,601	\$ 624,038	\$ -	\$ 624,038	\$ 226,563

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, 2005

	Governmental Fund Types			Total (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash receipts:				
Local taxes	\$ 9,663	\$ -	\$ -	\$ 9,663
Intergovernmental	43,909	25,671	129,457	199,037
Charges for services	3	-	-	3
Fines, licenses, and permits	80,325	-	-	80,325
Interest	1,361	121	-	1,482
Miscellaneous	1	-	-	1
Total cash receipts	135,262	25,792	129,457	290,511
Cash disbursements:				
Current:				
Security of persons and property	5,579	-	-	5,579
Public health services	387	-	-	387
Community environment	67,123	-	-	67,123
Transportation	-	25,765	-	25,765
General government	28,765	-	-	28,765
Capital outlay	3,231	-	129,457	132,688
Total cash disbursements	105,085	25,765	129,457	260,307
Total cash receipts over cash disbursements	30,177	27	-	30,204
Cash fund balances, January 1, 2005 - (restated)	151,166	38,450	-	189,616
Cash fund balances, December 31, 2005	\$ 181,343	\$ 38,477	\$ -	\$ 219,820

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 - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2005

	Proprietary Fund Type
	Enterprise
Operating cash receipts:	
Charges for services	\$ 74,053
Tap Fees	45,100
Inspection Fees	6,449
Total operating cash receipts	125,602
Operating cash disbursements:	
Personal services	2,154
Contractual services	62,701
Supplies and material	3,108
Capital outlay	1,350
Total operating cash disbursements	69,313
Operating income	56,289
Nonoperating cash receipts/(disbursements):	
Special assessments	5,259
Debt service:	
Principal	(10,830)
Interest	(15,958)
Total nonoperating cash receipts/(disbursements)	(21,529)
Net cash receipts over cash disbursements	34,760
Cash fund balances, January 1, 2005 - (restated)	273,980
Cash fund balances, December 31, 2005	\$ 308,740

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, 2005

Fund Types	Receipts					Disbursements					Variance Favorable (Unfavorable)	
	County Certified Unencumbered Cash	Budget	Total Estimated Resources	Actual 2005 Receipts	Variance Favorable (Unfavorable)	Prior Year Carryover Appropriations	2005 Appropriations	Total	Actual 2005 Disbursements	Encumbrances Outstanding at 12/31/05		Total
Governmental:												
General	\$ 151,166	\$ 137,308	\$ 288,474	\$ 135,262	\$ (2,046)	\$ -	\$ 177,584	\$ 177,584	\$ 105,085	\$ -	\$ 105,085	\$ 72,499
Special Revenue	38,450	25,353	63,803	25,792	439	-	48,681	48,681	25,765	-	25,765	22,916
Capital Projects	-	531,330	531,330	129,457	(401,873)	-	382,620	382,620	129,457	-	129,457	253,163
Proprietary:												
Enterprise	273,980	230,739	504,719	130,861	(99,878)	-	246,200	246,200	96,101	-	96,101	150,099
Total	\$ 463,596	\$ 924,730	\$ 1,388,326	\$ 421,372	\$ (503,358)	\$ -	\$ 855,085	\$ 855,085	\$ 356,408	\$ -	\$ 356,408	\$ 498,677

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

**VILLAGE OF OSTRANDER
DELAWARE COUNTY, OHIO**

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

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 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, 2006 AND 2005

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 funds:

Community Development Block Grant Fund - This fund uses proceeds of pass-through grants for sewer construction improvements from Delaware County.

Issue II Fund - This fund uses proceeds of pass-through grants for sewer construction improvements from Ohio Public Works Commission.

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 significant 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).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

**VILLAGE OF OSTRANDER
DELAWARE COUNTY, OHIO**

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

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, 2006 and 2005.

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 2006 and 2005.

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 finds 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, 2006 AND 2005

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, 2006 and December 31, 2005. 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 \$13,040 and \$1,482 for the years ended December 31, 2006 and 2005, 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, 2006 AND 2005

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. INTERFUND TRANSACTIONS

During the course of normal operations, the Village had transactions between funds. The most significant include:

Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers.

H. 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 - COMPLIANCE & PRIOR PERIOD ADJUSTMENTS

- i.* The Village did not properly certify expenditures for the years ended December 31, 2006 and 2005 in noncompliance with Ohio Revised Code Section 5705.41(D).
- ii.* The Village is restating its General fund, Street Construction, Maintenance & Repair (SCMR), and Sewer fund balances at January 1, 2005. The prior period adjustment is due to previous years audit adjustments. The prior period adjustment above had the following effects on the Village's fund balances.

	<u>General</u> <u>Fund Balance</u>	<u>SCMR</u> <u>Fund Balance</u>	<u>Sewer</u> <u>Fund Balance</u>
Balance 01/01/05	\$ 141,135	\$ 39,597	\$ 282,869
Prior Period Adjustment	<u>10,031</u>	<u>(1,147)</u>	<u>(8,889)</u>
Restated Balances 01/01/05	<u>\$ 151,166</u>	<u>\$ 38,450</u>	<u>\$ 273,980</u>

**VILLAGE OF OSTRANDER
DELAWARE COUNTY, OHIO**

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

NOTE 4 - 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>2006</u>	<u>2005</u>
Deposits:		
Demand deposits	<u>\$ 594,173</u>	<u>\$ 528,560</u>
 Total Cash and Cash Equivalents	 <u>\$ 594,173</u>	 <u>\$ 528,560</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 5 - 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, 2006 AND 2005

NOTE 6 - DEBT OBLIGATIONS

At December 31, 2006, debt obligations consisted of the following issuances:

<u>Description</u>	<u>Balance at 12/31/06</u>	<u>Balance at 12/31/05</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%.	\$ 93,683	\$ 99,439
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>142,350</u>	<u>147,825</u>
Total debt obligations	<u>\$ 236,033</u>	<u>\$ 247,264</u>

Transactions for the years ended December 31, 2006 and 2005 are summarized as follows:

	<u>Balance at 01/01/06</u>	<u>Proceeds</u>	<u>Principal Retirement</u>	<u>Balance at 12/31/06</u>
<u>2006</u>				
1993 OWDA	\$ 99,439	\$ -	\$ (5,756)	93,683
1992 USDA	<u>147,825</u>	<u>-</u>	<u>(5,475)</u>	<u>142,350</u>
Total	<u>\$ 247,264</u>	<u>\$ -</u>	<u>\$ (11,231)</u>	<u>\$ 236,033</u>
	<u>Balance at 01/01/05</u>	<u>Proceeds</u>	<u>Principal Retirement</u>	<u>Balance at 12/31/05</u>
<u>2005</u>				
1993 OWDA	\$ 104,794	\$ -	\$ (5,355)	\$ 99,439
1992 USDA	<u>153,300</u>	<u>-</u>	<u>(5,475)</u>	<u>147,825</u>
Total	<u>\$ 258,094</u>	<u>\$ -</u>	<u>\$ (10,830)</u>	<u>\$ 247,264</u>

**VILLAGE OF OSTRANDER
DELAWARE COUNTY, OHIO**

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

NOTE 6 - DEBT OBLIGATIONS - (Continued)

The principal and interest requirements to retire the debt obligations outstanding at December 31, 2006 are as follows:

Year Ending December 31,	OWDA NOTE		USDA BONDS	
	Principal	Interest	Principal	Interest
2007	\$ 2,982	\$ 3,625	\$ 5,475	\$ 8,007
2008	6,412	6,802	5,475	7,699
2009	6,892	6,322	5,475	7,391
2010	7,410	5,804	5,475	-
2011	7,966	5,248	5,475	-
2012 - 2016	49,732	16,338	27,375	-
2017 - 2021	12,289	925	27,375	-
2022 - 2026	-	-	27,375	-
2027 - 2031	-	-	27,375	-
2032	-	-	5,475	-
Total	<u>\$ 93,683</u>	<u>\$ 45,064</u>	<u>\$ 142,350</u>	<u>\$ 23,097</u>

During the years ended December 31, 2006 and 2005, OWDA granted the Village interest credit enhancements in the amount of \$512 and \$537, respectively.

NOTE 7 - DEBT COVENANT

The Village's USDA mortgage revenue bond debt covenant requires the Village to create a separate fund to maintain one year's debt payment of principal and interest. This money may be used with permission by USDA to cover maintenance costs. As of December 31, 2006, the Village Council has earmarked and placed in a Sewer Sinking Fund \$50,000 for this purpose.

NOTE 8 - 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, 2006 AND 2005

NOTE 8 - 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, 2006, the Village did not have an unpaid liability for 2006. All amounts for 2005 have been paid.

NOTE 9 - 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, 2005, and 2004 (the latest information available):

	2005	2004
Assets	\$ 8,219,430	\$ 6,685,522
Liabilities	(2,748,639)	(2,227,808)
Members' Equity	\$ 5,470,791	\$ 4,457,714

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, 2006 AND 2005

NOTE 10 - CONTINGENT LIABILITIES

The Village is not currently involved in litigation.



Julian & Grube, Inc.
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**Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed
in Accordance With *Government Auditing Standards***

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

We have audited the financial statements of the Village of Ostrander, Delaware County, as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated May 22, 2007, wherein we noted the Village of Ostrander 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 of Ostrander has restated its General fund, Street Construction Maintenance & Repair and Sewer fund balances as of January 1, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Ostrander's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village of Ostrander's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village of Ostrander's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that a misstatement of the Village of Ostrander's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency described in the accompanying schedule of findings and responses to be a significant deficiency in internal control over financial reporting. We have identified this as item 2006-VOO-002 in the accompanying schedule of findings and responses.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Village of Ostrander's internal control.

Members of Council and Mayor
Village of Ostrander

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of Ostrander's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 one instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings and responses as item 2006-VOO-001.

We noted certain matters that we reported to management of the Village of Ostrander in a separate letter dated May 22, 2007.

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

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



Julian & Grube, Inc.

May 22, 2007

**VILLAGE OF OSTRANDER
DELAWARE COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2006 AND 2005**

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

Finding Number	2006-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.

The Village does not certify expenditures.

Without certification, the Village may expend more funds than available in the Treasury, in the process of collection or the 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 lessen the risk that monies expended are not 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 AND RESPONSES
DECEMBER 31, 2006 AND 2005**

1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2006-VOO-002

Significant Deficiency - 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 affect 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.

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, 2006 AND 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2004-VOO-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 2006-VOO-001.
2004-VOO-002	Ohio Revised Code Section 5705.39 requires total appropriations do not exceed total estimated resources.	Yes	N/A
2004-VOO-003	Ohio Revised Code Section 5705.09 establishes the requirement of funds, specifically a sinking fund when a subdivision has outstanding bonds	Yes	N/A
2004-VOO-004	Appropriate financial reports were not provided to Village Council to provide effective monitoring of financial operations.	No	Repeated as finding 2006-VOO-002.



Mary Taylor, CPA
Auditor of State

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
JULY 26, 2007**