



Dave Yost • Auditor of State

VILLAGE OF OSTRANDER
DELAWARE COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Village of Ostrander
Delaware County
224 E. High Street
Ostrander, Ohio 43082

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Village of Ostrander, Delaware County, Ohio (the Village) as of and for the years ended December 31, 2014 and 2013.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2014 and 2013, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Ostrander, Delaware County, Ohio, as of December 31, 2014 and 2013, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 28, 2015, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

August 28, 2015,

**VILLAGE OF OSTRANDER
DELAWARE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Local Taxes	\$ 18,452	\$ -	\$ 18,452
Intergovernmental	11,934	40,214	52,148
Reimbursements	11,567	88	11,655
Fines, Licenses and Permits	4,850	-	4,850
Earnings on Investments	1,109	30	1,139
Miscellaneous	728	-	728
	<u>48,640</u>	<u>40,332</u>	<u>88,972</u>
Total Cash Receipts			
	<u>48,640</u>	<u>40,332</u>	<u>88,972</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	14,130	-	14,130
Public Health Services	712	-	712
Community Environment	2,849	-	2,849
Transportation	-	24,717	24,717
General Government	44,555	-	44,555
Capital Outlay	715	7,424	8,139
	<u>62,961</u>	<u>32,141</u>	<u>95,102</u>
Total Cash Disbursements			
	<u>62,961</u>	<u>32,141</u>	<u>95,102</u>
Total Receipts Over/(Under) Disbursements	<u>(14,321)</u>	<u>8,191</u>	<u>(6,130)</u>
Fund Cash Balances, January 1	<u>62,986</u>	<u>10,192</u>	<u>73,178</u>
Fund Cash Balances, December 31			
Restricted	-	18,383	18,383
Assigned	19,672	-	19,672
Unassigned	28,993	-	28,993
	<u>28,993</u>	<u>-</u>	<u>28,993</u>
Fund Cash Balances, December 31	<u>\$ 48,665</u>	<u>\$ 18,383</u>	<u>\$ 67,048</u>

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

**VILLAGE OF OSTRANDER
DELAWARE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$ 101,854	\$ -	\$ 101,854
Special Assessments	11,214	-	11,214
Sewer Tap Fees	61,000	-	61,000
Miscellaneous	834	-	834
	<hr/>	<hr/>	<hr/>
Total Operating Cash Receipts	174,902	-	174,902
	<hr/>	<hr/>	<hr/>
Operating Cash Disbursements:			
Personal Services	22,295	-	22,295
Employee Fringe Benefits	4,248	-	4,248
Contractual Services	35,945	-	35,945
Supplies and Materials	14,129	-	14,129
	<hr/>	<hr/>	<hr/>
Total Operating Cash Disbursements	76,617	-	76,617
	<hr/>	<hr/>	<hr/>
Operating Income/(Loss)	98,285	-	98,285
	<hr/>	<hr/>	<hr/>
Non-Operating Cash Disbursements:			
Capital Outlay	21,632	-	21,632
Redemption of Principal	15,741	-	15,741
Interest and Other Fiscal Charges	8,603	-	8,603
	<hr/>	<hr/>	<hr/>
Total Non-Operating Cash Disbursements	45,976	-	45,976
	<hr/>	<hr/>	<hr/>
Net Receipts Over/(Under) Disbursements	52,309	-	52,309
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	639,437	5,000	644,437
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	<u>\$ 691,746</u>	<u>\$ 5,000</u>	<u>\$ 696,746</u>

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

**VILLAGE OF OSTRANDER
DELAWARE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property and Local Taxes	\$ 17,362	\$ -	\$ -	\$ 17,362
Intergovernmental	11,956	39,045	148,552	199,553
Reimbursements	2,700	93	-	2,793
Fines, Licenses and Permits	7,726	-	-	7,726
Earnings on Investments	1,073	22	-	1,095
Contributions and Donations	2,500	-	-	2,500
Miscellaneous	823	-	-	823
	<u>44,140</u>	<u>39,160</u>	<u>148,552</u>	<u>231,852</u>
Total Cash Receipts				
	<u>44,140</u>	<u>39,160</u>	<u>148,552</u>	<u>231,852</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	25,206	-	-	25,206
Public Health Services	680	-	-	680
Community Environment	2,644	-	-	2,644
Transportation	-	43,432	-	43,432
General Government	20,652	-	-	20,652
Capital Outlay	-	-	148,552	148,552
	<u>49,182</u>	<u>43,432</u>	<u>148,552</u>	<u>241,166</u>
Total Cash Disbursements				
	<u>49,182</u>	<u>43,432</u>	<u>148,552</u>	<u>241,166</u>
Total Receipts Over/(Under) Disbursements	<u>(5,042)</u>	<u>(4,272)</u>	<u>-</u>	<u>(9,314)</u>
Fund Cash Balances, January 1	<u>68,028</u>	<u>10,192</u>	<u>-</u>	<u>78,220</u>
Fund Cash Balances, December 31				
Restricted	-	5,920	-	5,920
Assigned	14,320	-	-	14,320
Unassigned	48,666	-	-	48,666
	<u>48,666</u>	<u>-</u>	<u>-</u>	<u>48,666</u>
Fund Cash Balances, December 31	<u>\$ 62,986</u>	<u>\$ 5,920</u>	<u>\$ -</u>	<u>\$ 68,906</u>

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

**VILLAGE OF OSTRANDER
DELAWARE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$ 96,725	\$ -	\$ 96,725
Special Assessments	13,953	-	13,953
Sewer Tap Fees	128,100	-	128,100
Miscellaneous	372	-	372
	<hr/>	<hr/>	<hr/>
Total Operating Cash Receipts	239,150	-	239,150
	<hr/>	<hr/>	<hr/>
Operating Cash Disbursements:			
Personal Services	23,916	-	23,916
Employee Fringe Benefits	4,284	-	4,284
Contractual Services	106,970	-	106,970
Supplies and Materials	10,826	-	10,826
	<hr/>	<hr/>	<hr/>
Total Operating Cash Disbursements	145,996	-	145,996
	<hr/>	<hr/>	<hr/>
Operating Income/(Loss)	93,154	-	93,154
	<hr/>	<hr/>	<hr/>
Non-Operating Cash Disbursements:			
Capital Outlay	14,286	-	14,286
Redemption of Principal	15,025	-	15,025
Interest and Other Fiscal Charges	9,579	-	9,579
Other Non-Operating Cash Disbursements	-	130	130
	<hr/>	<hr/>	<hr/>
Total Non-Operating Cash Disbursements	38,890	130	39,020
	<hr/>	<hr/>	<hr/>
Net Receipts Over/(Under) Disbursements	54,264	(130)	54,134
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	585,173	5,130	590,303
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	<u>\$ 639,437</u>	<u>\$ 5,000</u>	<u>\$ 644,437</u>

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, 2014 AND 2013**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Ostrander, Delaware County, Ohio, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides general governmental services, including sewer utility and an auxiliary police force.

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

B. Accounting Basis

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements 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 the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

C. Fund Accounting

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

1. General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

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, 2014 AND 2013
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

C. Fund Accounting (Continued)

3. Capital Project Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant capital project funds:

Issue II fund – This fund uses proceeds of pass-through grants for storm sewer and road repair construction improvements from the Ohio Public Works Commission.

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

4. Enterprise Funds

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

Sewer Fund - This fund receives charges for services from residents to cover sewer service costs.

5. Fiduciary Funds

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs. The Village does not have any trust funds.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency fund accounts for a zoning bond held to satisfy compliance with the development plan for landscaping and bike paths.

D. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) 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 Village Council must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

**VILLAGE OF OSTRANDER
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Budgetary Process

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. The Village did not use the encumbrance method of accounting.

A summary of 2014 and 2013 budgetary activity appears in Note 3.

E. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. Committed

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

**VILLAGE OF OSTRANDER
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

E. Fund Balance

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

F. Property, Plant, and Equipment

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

2. Equity in Pooled Deposits

The Village maintains a deposit pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits at December 31 was as follows:

	2014	2013
Demand deposits	\$763,794	\$713,343

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

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2014 and 2013 follows:

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$48,640	\$48,640	\$0
Special Revenue	40,332	40,332	0
Enterprise	174,902	174,902	0
Total	\$263,874	\$263,874	\$0

**VILLAGE OF OSTRANDER
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

3. Budgetary Activity (Continued)

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$62,961	\$62,961	\$0
Special Revenue	32,141	32,141	0
Enterprise	122,593	122,593	0
Total	\$217,695	\$217,695	\$0

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$44,151	\$44,140	(\$11)
Special Revenue	39,161	39,160	(1)
Capital Projects	148,552	148,552	0
Enterprise	239,150	239,150	0
Total	\$471,014	\$471,002	(\$12)

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$64,014	\$49,182	\$14,832
Special Revenue	43,432	43,432	0
Capital Projects	148,552	148,552	0
Enterprise	183,887	184,886	(999)
Total	\$439,885	\$426,052	\$13,833

4. Property Tax

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

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**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

5. Debt

Debt outstanding at December 31, 2014 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Note	\$29,043	7.00%
USDA Rural Development Bonds	98,550	5.625%
Total	\$127,593	

The Ohio Water Development Authority (OWDA) note relates to a sewer system expansion project. The OWDA approved up to \$147,298 in loans to the Village for this project. The Village's initial loan with OWDA was at 7.50%. Effective January 1, 2004, OWDA wrote down the loan to 7.00% by providing a subsidy of 0.5%. The amortization schedule below reflects the Village's future liability at the reduced 7.00% interest rate.

The United States Department of Agriculture (USDA) Rural Development, Sanitary Sewer System Mortgage Revenue Bonds were issued dated July 8, 1992, for the purpose of paying costs of constructing a sewage disposal plant and sanitary sewers. The 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, 2014, the Village Council has earmarked and placed in a Sewer Sinking Fund \$50,000 for this purpose.

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

Year ending	OWDA Note	USDA Bonds
December 31:		
2015	\$6,521	\$11,018
2016	13,096	10,710
2017	13,152	10,403
2018	0	10,095
2019	0	9,787
2020-2024	0	44,315
2025-2029	0	36,614
2030-2032	0	18,273
Total	\$32,769	\$151,215

6. Retirement Systems

The Village's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes the plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2014 and 2013, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2014.

**VILLAGE OF OSTRANDER
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

7. Risk Management

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Government Risk Management Plan, (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 41.5% (effective November 1, 2011) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2012 (and through October 2014) the plan increased its retention to 50% of the first \$250,000 casualty treaty. The Plan's property retention remained unchanged from prior years. This change was made to balance the reinsurance market conditions. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 783 and 774 members as of December 31, 2014 and 2013 respectively.

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

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2014 and 2013

	2014	2013
Assets	<u>\$14,830,185</u>	<u>\$13,774,304</u>
Liabilities	<u>(8,942,504)</u>	<u>(7,968,395)</u>
Members' Equity	<u>\$5,887,681</u>	<u>\$5,805,909</u>

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

VILLAGE OF OSTRANDER
DELAWARE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)

8. Contingent Liabilities

The Village is defendant in a lawsuit. Although management cannot presently determine the outcome of this suit, management believes that the resolution of the matter will not materially adversely affect the Village's financial condition.

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.



Dave Yost • Auditor of State

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

Village of Ostrander
Delaware County
224 E. High Street
Ostrander, Ohio 43082

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of Ostrander, Delaware County, Ohio (the Village) as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements, and have issued our report thereon dated August 28, 2015, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control over financial reporting that we consider a material weakness and a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. We consider finding 2014-001 described in the accompanying schedule of findings to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2014-002 described in the accompanying schedule of findings to be a significant deficiency.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining 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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2014-003.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

August 28, 2015

**VILLAGE OF OSTRANDER
DELAWARE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2014-001

Financial Reporting – Material Weakness

Sound financial reporting is the responsibility of the Fiscal Officer and Village Council and is essential to help ensure information provided to the users of the financial statements is complete and accurate. GASB Statement No. 54 requires fund balance be divided into one of five classifications based on the extent to which constraints are imposed upon the resources.

The following audit adjustments were material to the overall financial statements of the Village and were posted to the December 31, 2014 financial statements and applicable records:

1. Reclassification increasing Assigned Fund Balance and decreasing Unassigned Fund Balance in the General Fund in the amount of \$19,672. This reclassification is to account for planned fund balance expenditures at year end as Assigned, per subsequent year appropriations and estimated receipts.
2. Reclassification increasing Intergovernmental Receipts and decreasing Property and Other Local Taxes in the General Fund in the amount of \$11,934. This reclassification is to account for Rollback receipts, Local Government receipts, Cigarette Tax receipts, and Liquor Permit receipts as Intergovernmental.
3. Reclassification increasing Special Assessment and decreasing Charges for Services in the Enterprise Fund in the amount of \$11,214. This reclassification is to account for special assessments that were recorded as Charges for Services in error.
4. Adjustment to increase beginning fund balance in the Enterprise Fund in the amount of \$50,000. The adjustment is to restate beginning fund balance to agree to prior year ending fund balance, and to account for the \$50,000 restricted for debt held in the Sewer fund.

The following adjustment was immaterial to the overall financial statements of the Village and was not posted to the December 31, 2014 financial statements:

1. Reclassification increasing Fines, Licenses and Permits and decreasing Property and Local Taxes in the General Fund in the amount of \$176. This reclassification is to classify Court Fines that were recorded as Property and Local Taxes in error.

The following audit adjustments were material to the overall financial statements of the Village and were posted to the December 31, 2013 financial statement and applicable records:

1. Reclassification increasing Assigned Fund Balance and decreasing Unassigned Fund Balance in the General Fund in the amount of \$14,320. This reclassification is to account for planned fund balance expenditures at year end as Assigned, per subsequent year appropriations and estimated receipts.

**VILLAGE OF OSTRANDER
DELAWARE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2014-001 (Continued)

Financial Reporting – Material Weakness (Continued)

2. Reclassification increasing Intergovernmental Receipts and decreasing Property and Other Local Taxes in the General Fund in the amount of \$11,956. This reclassification is to account for Rollback receipts, Local Government receipts, Cigarette Tax receipts, and Liquor Permit receipts as Intergovernmental.
3. Adjustment to increase Capital Outlay in the Capital Project fund in the amount of \$148,552. The adjustment is to record to financial statements previously unrecorded expenditures in relation to on-behalf-of payments.

Lack or failure of controls over the posting of financial transactions and financial reporting can result in errors and irregularities that may go undetected and decreases the reliability of financial data throughout the year.

We recommend the Village develop policies and procedures to enhance controls over recording of financial and reporting transactions to help ensure the information accurately reflects the activity of the Village; and thereby, increasing the reliability of the financial data throughout the year. We also recommend the Village implement additional procedures over the completeness and accuracy of financial information reported within the Village's financial report. Such procedures may include review of the financial statements and related components by a member of management with analytical comparisons of the current and prior year annual reports for obvious errors or omissions.

FINDING NUMBER 2014-002

Segregation of Duties – Significant Deficiency

Control activities and duties should be segregated to allow for a system of checks and balances within an organization.

During fiscal years 2013 and 2014, the Fiscal Officer manually completed, issued, and signed checks, recorded expenditures to ledgers, and reconciled all bank accounts.

The lack of segregation of duties increases the risk Village funds could be misappropriated or fraudulent activity could occur and go undetected by the Council. In addition, allowing one individual to complete all transactions increases the risks of potential errors to the financial statements.

We recommend Council establish an additional signatory for all expenditures. We also recommend they review their policies and procedures of delegating their authorization and execution authority to the same individual for such a significant portion of Village financial transactions.

**VILLAGE OF OSTRANDER
DELAWARE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2014-003

Certification of Funds, 5705.41(D) – Material Noncompliance

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

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

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

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

2. Blanket certificates - Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificate - The Village may also make expenditures and contracts for any amount from a specific line item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operation expense. This certification is not to extend beyond the current year. More than one so-called "super blanket" certificate may be outstanding at a particular time for any line item appropriation.

The Village did not certify the availability of funds prior to the purchase commitment for any of their expenditures during 2014 and 2013.

**VILLAGE OF OSTRANDER
DELAWARE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2014-003 (Continued)

Certification of Funds, 5705.41(D) – Material Noncompliance (Continued)

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to help ensure purchase commitments receive prior approval.

To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend the Village certify purchases to which section **5705.41(D)** applies.

The most convenient certification method is to use purchase orders that include the certification language **5705.41(D)** requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the Village incurs a commitment, and only when the requirements of **5705.41(D)** are satisfied. The Fiscal Officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation. When prior certification is not possible, a "then and now" certificate should be utilized.

Officials' Response

We did not receive a response from Officials to these findings.



Dave Yost • 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
SEPTEMBER 15, 2015**