



**VILLAGE OF STRASBURG
TUSCARAWAS COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2004-2003



**Auditor of State
Betty Montgomery**

VILLAGE OF STRASBURG
TUSCARAWAS COUNTY

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**Auditor of State
Betty Montgomery**

Village of Strasburg
Tuscarawas County
358 Fifth Street, SW
Strasburg, Ohio 44680

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in black ink that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

July 27, 2005

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Village of Strasburg
Tuscarawas County
358 Fifth Street, SW
Strasburg, Ohio 44680

To the Village Council:

We have audited the accompanying financial statements of the Village of Strasburg, Tuscarawas County, Ohio, (the Village) as of and for the years ended December 31, 2004 and 2003. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

As more fully disclosed in Note 2, the Special Revenue Funds and Expendable Trust Fund balances were restated as of January 1, 2003 to correct the classification of income tax receipts.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since this Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

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In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2004, or its changes in financial position or cash flows of its proprietary funds for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Strasburg, Tuscarawas County, Ohio, as of December 31, 2004 and 2003, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the year ended December 31, 2004. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 27, 2005, 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. 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.



Betty Montgomery
Auditor of State

July 27, 2005

**VILLAGE OF STRASBURG
TUSCARAWAS COUNTY**

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

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Cash Receipts:						
Property Tax and Other Local Taxes	\$74,843	\$374,252	\$12,000			\$461,095
Contributions and Donations	33,681					33,681
Intergovernmental Receipts	140,752	106,564				247,316
Charges for Services	67,278	18,628				85,906
Fines, Licenses, and Permits	7,680					7,680
Earnings on Investments	10,170	133				10,303
Miscellaneous	34,822					34,822
Total Cash Receipts	369,226	499,577	12,000			880,803
Cash Disbursements:						
Current:						
Security of Persons and Property	236,381					236,381
Public Health Services	1,396					1,396
Leisure Time Activities		21,227				21,227
Community Environment	2,926					2,926
Basic Utility Services	56,214					56,214
Transportation		96,128				96,128
General Government	270,674	27,242				297,916
Debt Service:						
Principal Payments			11,138			11,138
Interest Payments			862			862
Capital Outlay	62,866	63,121		\$38,422		164,409
Total Cash Disbursements	630,457	207,718	12,000	38,422		888,597
Total Receipts Over/(Under) Disbursements	(261,231)	291,859	0	(38,422)		(7,794)
Other Financing Receipts and (Disbursements):						
Transfers-In	180,000	24,000		36,000		240,000
Transfers-Out		(240,000)				(240,000)
Other Financing Uses		(1,642)				(1,642)
Total Other Financing Receipts/(Disbursements)	180,000	(217,642)	0	36,000		(1,642)
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(81,231)	74,217		(2,422)		(9,436)
Fund Cash Balances, January 1	295,894	121,015	3,000	23,705	\$7,366	450,980
Fund Cash Balances, December 31	\$214,663	\$195,232	\$3,000	\$21,283	\$7,366	\$441,544
Reserves for Encumbrances, December 31	\$9,940	\$8,466	\$0	\$0	\$0	\$18,406

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

**VILLAGE OF STRASBURG
TUSCARAWAS COUNTY**

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

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Cash Receipts:						
Property Tax and Other Local Taxes	\$71,517	\$347,776	\$12,000			\$431,293
Intergovernmental Receipts	110,851	98,901				209,752
Charges for Services	71,600	24,629				96,229
Fines, Licenses, and Permits	7,523					7,523
Earnings on Investments	8,515	345				8,860
Miscellaneous	20,267					20,267
Total Cash Receipts	290,273	471,651	12,000			773,924
Cash Disbursements:						
Current:						
Security of Persons and Property	238,052					238,052
Public Health Services	1,347					1,347
Leisure Time Activities		22,679				22,679
Basic Utility Services	6,557	2,060				8,617
Transportation		90,236				90,236
General Government	294,267	25,495				319,762
Debt Service:						
Principal Payments			10,496			10,496
Interest Payments			1,504			1,504
Capital Outlay	39,326	45,294		\$52,628		137,248
Total Cash Disbursements	579,549	185,764	12,000	52,628		829,941
Total Receipts Over/(Under) Disbursements	(289,276)	285,887	0	(52,628)		(56,017)
Other Financing Receipts and (Disbursements):						
Transfers-In	303,750	40,500		60,750		405,000
Transfers-Out		(405,000)				(405,000)
Other Uses		(3,201)				(3,201)
Total Other Financing Receipts/(Disbursements)	303,750	(367,701)	0	60,750		(3,201)
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	14,474	(81,814)		8,122		(59,218)
Fund Cash Balances, January 1 (Restated)	281,420	202,829	3,000	15,583	\$7,366	510,198
Fund Cash Balances, December 31	\$295,894	\$121,015	\$3,000	\$23,705	\$7,366	\$450,980
Reserves for Encumbrances, December 31	\$11,415	\$7,909	\$0	\$0	\$0	\$19,324

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

**VILLAGE OF STRASBURG
TUSCARAWAS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ENTERPRISE FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003**

	2004	2003
Operating Cash Receipts:		
Charges for Services	\$843,311	\$826,804
Operating Cash Disbursements:		
Personal Services	264,081	269,998
Contractual Services	136,202	119,735
Supplies and Materials	72,432	66,671
Capital Outlay	99,756	410,387
Total Operating Cash Disbursements	572,471	866,791
Operating Income/(Loss)	270,840	(39,987)
Non-Operating Cash Receipts:		
Intergovernmental Receipts	62,646	164,427
Earnings on Investments	36,908	35,525
Other Financing Sources	137	
Total Non-Operating Cash Receipts	99,691	199,952
Non-Operating Cash Disbursements:		
Debt Service:		
Principal	296,998	367,789
Interest	136,692	143,952
Total Non-Operating Cash Disbursements	433,690	511,741
Net Receipts (Under) Disbursements	(63,159)	(351,776)
Fund Cash Balances, January 1	2,045,423	2,397,199
Fund Cash Balances, December 31	\$1,982,264	\$2,045,423
Reserve for Encumbrances, December 31	\$7,151	\$8,642

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

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**VILLAGE OF STRASBURG
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003**

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 Strasburg, Tuscarawas County, (the Village) as a body corporate and politic. A publicly-elected six-member Council governs the Village. The Village provides water and sewer utilities, park operations and police services. The Village appropriates general fund money to support a volunteer fire and EMS department. The Village also contracts with Smith Ambulance to receive additional EMS services.

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 accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. This basis 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 adequately disclose material matters the Auditor of State prescribes.

C. Cash and Investments

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

The Village values money market mutual funds (including STAR Ohio) at share values the mutual fund reports.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

These funds 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 significant Special Revenue Funds:

**VILLAGE OF STRASBURG
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

Street Construction, Maintenance, and Repair Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village streets.

Parks and Recreation Fund - This fund receives levy monies to assist in operating and maintaining the park and to provide recreational activities to Village residents.

Income Tax Fund - This fund is used to account for all activity associated with the collection and administration of income tax revenue.

3. Debt Service Fund

This fund accounts for resources the Village accumulates to pay bond and note debt. The Village had the following significant debt service fund:

Fire Truck Debt Service - This fund receives a portion of property tax revenue to account for the payment of principal and interest on the Village's fire truck loan.

4. Capital Project Fund

This fund accounts for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project funds:

Capital Improvement Fund - This fund receives a portion of income tax revenue to account for the payment of capital improvements for the Village.

5. 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:

Water Fund - This fund receives charges for services from residents to cover water service costs.

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

Water System Improvement Fund - This fund receives a portion of water revenues to maintain and make improvements to the water system.

**VILLAGE OF STRASBURG
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

5. Enterprise Funds (Continued)

Sewer System Improvement Fund - This fund receives a portion of sewer revenues to maintain and make improvements to the sewer system.

Sewer Expansion Fund - This fund receives loan proceeds from the Ohio Water Development Authority to construct a new water treatment plant. A utility surcharge recorded in this fund will repay this loan.

6. Fiduciary Funds (Trust Funds)

Trust funds account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the Village classified the fund as a nonexpendable trust fund. Other trust funds are classified as expendable. Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant fiduciary fund:

Park Improvement Trust Fund - This fund is used to account for all activity associated with improving the park for use by Village residents.

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriations. 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.

A summary of 2004 and 2003 budgetary activity appears in Note 3.

**VILLAGE OF STRASBURG
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

G. Accumulated Leave

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

2. CORRECTION OF AN ERROR

Prior to January 1, 2003, income tax revenues and expenditures were improperly reported in an expendable trust fund. This fund has been reclassified as a special revenue fund. As a result of correcting this error, the fund cash balances have been restated as follows:

Previously Reported Fund Cash Balance, December 31, 2002	<u>Special Revenue Funds</u>	<u>Expendable Trust Fund</u>
	\$21,248	\$188,947
Reclassification of Income Tax Activity	<u>181,581</u>	<u>(181,581)</u>
Restated Fund Balance, January 1, 2003	<u>\$202,829</u>	<u>\$7,366</u>

3. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2004	2003
Demand deposits	\$2,008,155	\$2,086,002
STAR Ohio	415,653	410,401
Total deposits and investments	<u>\$2,423,808</u>	<u>\$2,496,403</u>

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

Investments: Investments in STAR Ohio and mutual funds are not evidenced by securities that exist in physical or book-entry form. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31.

**VILLAGE OF STRASBURG
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

4. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2004 and 2003 follows:

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$524,359	\$549,226	\$24,867
Special Revenue	552,500	523,577	(28,923)
Debt Service	12,000	12,000	0
Capital Projects	50,000	36,000	(14,000)
Enterprise	942,700	943,002	302
Total	\$2,081,559	\$2,063,805	(\$17,754)

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$760,869	\$640,397	\$120,472
Special Revenue	671,814	457,826	213,988
Debt Service	15,000	12,000	3,000
Capital Projects	73,705	38,422	35,283
Enterprise	3,047,271	1,013,312	2,033,959
Fiduciary	9,064	0	9,064
Total	\$4,577,723	\$2,161,957	\$2,415,766

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$564,978	\$594,023	\$29,045
Special Revenue	547,150	512,151	(34,999)
Debt Service	12,000	12,000	0
Capital Projects	50,000	60,750	10,750
Enterprise	1,931,700	1,026,756	(904,944)
Total	\$3,105,828	\$2,205,680	(\$900,148)

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$756,242	\$590,964	\$165,278
Special Revenue	748,281	601,874	146,407
Debt Service	15,000	12,000	3,000
Capital Projects	4	52,628	(52,624)
Enterprise	4,418,973	1,387,174	3,031,799
Fiduciary	9,064	0	9,064
Total	\$5,947,564	\$2,644,640	\$3,302,924

**VILLAGE OF STRASBURG
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

5. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Village Council adopts 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 State pays the Village amounts equaling these deductions. The Village includes these with Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half payment is due December 31. The second half payment is due the following June 20.

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

Property owners assess tangible personal property tax. They must file a list of tangible 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 the Village's behalf.

6. LOCAL INCOME TAX

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

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

7. DEBT

Debt outstanding at December 31, 2004 was as follows:

	Principal	Interest Rate
1973 Mortgage Revenue Bonds	\$347,000	5.0%
1999 Ohio Water Development Authority - Water Plant Building Loan	1,654,193	2.0%
1997 Fire Truck Loan	7,333	6.0%
2003 Ohio Water Development Authority - Wastewater Treatment Plant Expansion	3,375,637	2.2%
Total	\$5,384,163	

The mortgage revenue bonds from the Farmers Home Administration (FHMA) relate to the construction of a sewer collection and treatment system. The bonds will be repaid in semiannual installments, with interest, over 40 years. The bonds are collateralized by sewer receipts. The Village has agreed to set utility rates sufficient to cover the debt service requirements. In addition, the Village has agreed to establish certain bank accounts to maintain sewer operating receipts, sinking fund principal and interest payments, sewer reserves, and sewer surpluses.

**VILLAGE OF STRASBURG
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

7. DEBT (Continued)

The Ohio Water Development Authority (OWDA) water plant building loan relates to the upgrade of the Village's existing water treatment plant. The loan will be repaid in semiannual installments, with interest, over 20 years. The loan is collateralized by water receipts. The Village has agreed to set utility rates sufficient to cover the debt service requirements.

The fire truck loan from the Strasburg Savings & Loan Company relates to the purchase of a fire truck. The loan will be repaid in quarterly installments with interest over 8 years. The loan is collateralized by the Village's pooled deposits. The Village has agreed to maintain receipts sufficient to cover the debt service requirements.

The Ohio Water Development Authority (OWDA) wastewater treatment plant expansion loan relates to a sewer plant expansion project. The loan will be repaid in semiannual installments, with interest, over 20 years. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

Amortization of the above debt, including interest, follows:

Year ending December 31:	Mortgage Revenue Bonds	OWDA Water Plant Building Loan	Fire Truck Loan	OWDA WWTP Expansion Loan
2005	\$49,600	\$141,056	\$10,531	\$246,046
2006	50,000	141,056		246,046
2007	49,300	141,056		246,046
2008	49,550	141,056		246,046
2009	49,700	141,056		246,046
2010 - 2014	197,300	705,279		1,230,230
2015 - 2019		564,224		1,230,230
2020 - 2024				592,015
Total	<u>\$445,450</u>	<u>\$1,974,783</u>	<u>\$10,531</u>	<u>\$4,282,705</u>

8. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes the plans' retirement benefits, including postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2004 and 2003, OP&F participants contributed 10 percent of their wages. The Village contributed an amount equal to 19.5 percent of police participant [and 24 percent of fire participant] wages. OPERS members contributed 8.5 percent of their wages. The Village contributed an amount equal to 13.55 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2004.

**VILLAGE OF STRASBURG
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

9. RISK MANAGEMENT

Risk Pool Membership

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

PEP retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000 from the General Reinsurance Corporation.

If losses exhaust PEP's retained earnings, APEEP covers PEP losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

PEP retains property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000 up to \$500,000,000 per occurrence. APEEP's Guarantee Fund pays losses and loss adjustment expenses exceeding operating contributions.

The aforementioned casualty and property reinsurance agreements do not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective local government.

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2004 and 2003 (the latest information available):

<u>Casualty Coverage</u>	<u>2004</u>	<u>2003</u>
Assets	\$30,547,049	\$25,288,098
Liabilities	<u>(16,989,918)</u>	<u>(12,872,985)</u>
Retained earnings	<u>\$13,557,131</u>	<u>\$12,415,113</u>
 <u>Property Coverage</u>	 <u>2004</u>	 <u>2003</u>
Assets	\$3,652,970	\$3,158,813
Liabilities	<u>(544,771)</u>	<u>(792,061)</u>
Retained earnings	<u>\$3,108,199</u>	<u>\$2,366,752</u>

**VILLAGE OF STRASBURG
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

10. CONTINGENT LIABILITIES

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor, principally the federal government. Grantors 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.

11. TUSCARAWAS COUNTY REGIONAL PLANNING COMMISSION

The Village participates in the Tuscarawas County Regional Planning Commission (Commission) which is a statutorily created political subdivision of the State. The Commission is jointly governed by Tuscarawas County and other cities, villages and townships within the County. The principle aim of the Commission is to provide comprehensive planning, both long and short-term, dealing with the economic and physical environment of Tuscarawas County. The Board exercises total authority for the day-to-day operations of the Commission. These include budgeting, appropriating, contracting, and designating management. The Village has no financial responsibility for any of the Commission's liabilities. Complete financial statements can be obtained from the Tuscarawas County Regional Planning Commission, Tuscarawas County, Ohio.

12. TUSCARAWAS COUNTY TAX INCENTIVE REVIEW COUNCIL

The Tuscarawas County Incentive Review Council (Council) is a jointly governed organization, created as a regional council of governments pursuant to State statutes. The Council has 22 members, consisting of three members appointed by the County Commissioners, four members appointed by municipal corporations, six members appointed by township trustees, one member from the County Auditor's Office and eight members appointed by boards of education located within the County. The Council review and evaluates the performance of each enterprise zone agreement. This body is advisory in nature and cannot directly impact an existing enterprise zone agreement; however, the Council can make written recommendations to the legislative authority.

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**Auditor of State
Betty Montgomery**

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

Village of Strasburg
Tuscarawas County
358 Fifth Street SW
Strasburg, Ohio 44680

To the Village Council:

We have audited the financial statements of the Village of Strasburg, Tuscarawas County, Ohio, (the Village) as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated July 27, 2005, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America and the Special Revenue Funds and Expendable Trust Fund balances were restated as of January 1, 2003 to correct the classification of income tax receipts. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses.

In a separate letter to the Village's management dated July 27, 2005, we reported certain matters involving internal control over financial reporting we did not deem reportable conditions.

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, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2004-001 and 2004-002.

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Village of Strasburg
Tuscarawas County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

In a separate letter to the Village's management dated July 27, 2005, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the audit committee, management, and Village Council. It is not intended for 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

July 27, 2005

**VILLAGE OF STRASBURG
TUSCARAWAS COUNTY**

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

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

FINDING NUMBER 2004-001

Noncompliance Citation

The **Ohio Department of Development Office of Housing and Community Partnerships (OHCP) Financial Management Rules and Regulations, (B)(1)(C)** requires as soon as equipment is purchased with OHCP-awarded funds, grantees must update the inventory records. In addition, a full inventory must be completed every two years. Inventory records must include: a description of the equipment; the serial number or other identification number assigned to the equipment; the source(s) of funding used to purchase the equipment and the percentage of participation; the acquisition date; the acquisition cost; the location of the property; and disposition data, including date of disposal and sales price.

During 2002, the Village expended certain Community Development Block Grant (CDBG) funds for the purchase of aeration, grit removal, and miscellaneous electrical equipment; however, the Village's inventory records were not updated accordingly. The Village should update inventory records to include all applicable information for equipment purchased with CDBG funds. In addition, the Village should ensure this equipment is included in the annual physical inventory. This will help ensure compliance with Ohio Housing and Community Partnership (OHCP) Financial Management Rules and Regulations.

FINDING NUMBER 2004-002

Noncompliance Citation

Ohio Rev. Code Section 135.21 requires all interest earned be credited to the General Fund of the subdivision, with certain exceptions.

During 2004 and 2003, the Village pooled cash from all funds into interest bearing checking and STAR Ohio accounts. However, the Village Clerk did not initially distribute interest earned in accordance with the above requirements. As a result, interest earnings in the Enterprise Funds and General Fund were initially overstated and understated, respectively, as follows:

Funds	Interest Distributed	Interest Required To Be Distributed	Variance
2004			
General Fund	\$10,170	\$38,725	\$28,555
Enterprise Funds			
Water Fund	17,118		17,118
Sewer Fund	19,791	8,354	11,437
2003			
General Fund	8,515	36,905	28,390
Enterprise Fund			
Water Fund	18,328		18,328
Sewer Fund	16,652	6,590	10,062

The Village Clerk should generally post interest earnings to the General Fund unless otherwise permitted or required by the Ohio Rev. Code.

**VILLAGE OF STRASBURG
TUSCARAWAS COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2002-31279-001	Ohio Rev. Code Section 135.21 - Interest was not distributed according to the Revised Code.	No	Not Corrected. Refer to Finding 2004-001.
2002-31279-002	Ohio Rev. Code Section 733.28 - The Village misclassified numerous receipts.	No	Significantly Different Corrective Action Taken.
2002-31279-003	Ohio Rev. Code Section 5705.39 - Appropriations were in excess of estimated resources in the Water System Improvement Fund.	Yes	Finding No Longer Valid.
2002-13279-004	Ohio Rev. Code Section 5705.41(D) - Expenditures were not properly certified.	No	Partially Corrected. 5% of expenditures were not properly certified. Refer to the Management Letter.
2002-13279-005	The estimated receipts in the Village's ledgers did not agree to the Amended Official Certificate of Estimated Resources.	Yes	Finding No Longer Valid.
2002-31279-006	OHCP Financial Management Rules and Regulations, Section (A)(3)(f) – the Village did not adhere to the 15 day requirement for federal monies.	Yes	Finding No Longer Valid.
2002-31279-007	OHCP Financial Management Rules and Regulations, Section (B)(1)(c) – the Village did not have an updated inventory that included equipment purchased with federal monies.	No	Not Corrected. Refer to finding 2004-002.
2002-31279-008	Small Cities CDBG Water and Sanitary Sewer Competitive Grant Agreement, Accounting of Funds – the Village commingled OWDA, Issue II and CDBG receipts and expenditures in one fund.	Yes	Finding No Longer Valid.

Village of Strasburg
Tuscarawas County
Schedule of Prior Audit Findings
Page 2

2002-31279-009	Small Cities CDBG Water and Sanitary Sewer Competitive Grant Agreement, Attachment C – the CDBG Status Reports were not accurately prepared.	Yes	Finding No Longer Valid.
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**Auditor of State
Betty Montgomery**

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VILLAGE OF STRASBURG

TUSCARAWAS 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 22, 2005**