



**Auditor of State
Betty Montgomery**

VILLAGE OF STRASBURG
TUSCARAWAS COUNTY

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
Report of Independent Accountants	1
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, 2002	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental and Fiduciary Fund Type For the Year Ended December 31, 2001	4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - Enterprise Fund For the Years Ended December 31, 2002 and 2001	5
Notes to the Financial Statements	7
Schedule of Expenditures of Federal Awards	17
Notes to the Schedule of Federal Awards Expenditures	18
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	19
Report of Independent Accountants on Compliance with Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	21
Schedule of Findings	23
Schedule of Prior Audit Findings	30

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REPORT OF INDEPENDENT ACCOUNTANTS

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, 2002 and 2001. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 10, 2003 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

We performed our audits to form an opinion on the financial statements of the Village, taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audits of the financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the financial statements taken as a whole.

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

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

Betty Montgomery
Auditor of State

February 10, 2003

**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, 2002**

	<u>Governmental Fund Types</u>				<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
Cash Receipts:						
Property Tax and Other Local Taxes	\$66,401	\$38,731	\$12,000	\$0	\$298,918	\$416,050
Intergovernmental	131,740	86,253	0	0	0	217,993
Charges for Services	64,210	20,718	0	0	0	84,928
Fines, Licenses, and Permits	7,586	0	0	0	0	7,586
Earnings on Investments	21,504	144	0	0	0	21,648
Miscellaneous	12,610	0	0	0	42,261	54,871
Total Cash Receipts	304,051	145,846	12,000	0	341,179	803,076
Cash Disbursements:						
Current:						
Security of Persons and Property	234,507	0	0	0	0	234,507
Public Health Services	1,460	0	0	0	0	1,460
Leisure Time Activities	0	15,069	0	0	0	15,069
Community Environment	0	125	0	0	0	125
Basic Utility Services	6,121	2,089	0	0	0	8,210
Transportation	0	80,101	0	0	0	80,101
General Government	272,616	0	0	0	18,643	291,259
Debt Service:						
Principal Payments	0	0	9,890	0	0	9,890
Interest Payments	0	0	2,110	0	0	2,110
Capital Outlay	1,161	117,276	0	29,651	34,895	182,983
Total Cash Disbursements	515,865	214,660	12,000	29,651	53,538	825,714
Total Cash Receipts Over/(Under) Cash Disbursements	(211,814)	(68,814)	0	(29,651)	287,641	(22,638)
Other Financing Receipts and (Disbursements):						
Sale of Fixed Assets	29,074	0	0	0	0	29,074
Transfers-In	180,000	24,000	0	36,000	0	240,000
Transfers-Out	0	0	0	0	(240,000)	(240,000)
Advances-Out	(1,125)	(1,125)	0	(450)	(450)	(3,150)
Other Uses	0	0	0	0	(1,193)	(1,193)
Total Other Financing Receipts/(Disbursements)	207,949	22,875	0	35,550	(241,643)	24,731
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(3,865)	(45,939)	0	5,899	45,998	2,093
Fund Cash Balances, January 1	285,285	67,105	3,000	9,684	142,949	508,023
Fund Cash Balances, December 31	\$281,420	\$21,166	\$3,000	\$15,583	\$188,947	\$510,116
Reserves for Encumbrances, December 31	\$0	\$5,716	\$0	\$6,232	\$10	\$11,958

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 SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>				<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
Cash Receipts:						
Property Tax and Other Local Taxes	\$72,448	\$40,778	\$12,000	\$0	\$290,204	\$415,430
Intergovernmental	152,960	90,952	0	0	0	243,912
Charges for Services	61,450	1,364	0	0	0	62,814
Fines, Licenses, and Permits	7,181	0	0	0	0	7,181
Earnings on Investments	25,432	0	0	0	0	25,432
Miscellaneous	76,462	1,048	0	0	0	77,510
Total Cash Receipts	<u>395,933</u>	<u>134,142</u>	<u>12,000</u>	<u>0</u>	<u>290,204</u>	<u>832,279</u>
Cash Disbursements:						
Current:						
Security of Persons and Property	216,605	0	0	0	0	216,605
Public Health Services	1,375	0	0	0	0	1,375
Leisure Time Activities	0	17,445	0	0	0	17,445
Basic Utility Services	5,663	2,412	0	0	0	8,075
Transportation	0	83,280	0	0	0	83,280
General Government	251,823	0	0	0	19,636	271,459
Debt Service:						
Principal Payments	0	0	9,318	0	0	9,318
Interest Payments	0	0	2,682	0	0	2,682
Capital Outlay	75,487	37,895	0	61,643	0	175,025
Total Cash Disbursements	<u>550,953</u>	<u>141,032</u>	<u>12,000</u>	<u>61,643</u>	<u>19,636</u>	<u>785,264</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(155,020)</u>	<u>(6,890)</u>	<u>0</u>	<u>(61,643)</u>	<u>270,568</u>	<u>47,015</u>
Other Financing Receipts and (Disbursements):						
Transfers-In	180,000	24,000	0	36,000	0	240,000
Transfers-Out	0	0	0	0	(240,000)	(240,000)
Advances-Out	(3,000)	(3,000)	0	(1,200)	(1,200)	(8,400)
Other Uses	0	0	0	0	(21,652)	(21,652)
Total Other Financing Receipts/(Disbursements)	<u>177,000</u>	<u>21,000</u>	<u>0</u>	<u>34,800</u>	<u>(262,852)</u>	<u>(30,052)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	21,980	14,110	0	(26,843)	7,716	16,963
Fund Cash Balances, January 1	<u>263,305</u>	<u>52,995</u>	<u>3,000</u>	<u>36,527</u>	<u>135,233</u>	<u>491,060</u>
Fund Cash Balances, December 31	<u>\$285,285</u>	<u>\$67,105</u>	<u>\$3,000</u>	<u>\$9,684</u>	<u>\$142,949</u>	<u>\$508,023</u>
Reserves for Encumbrances, December 31	<u>\$5,606</u>	<u>\$960</u>	<u>\$0</u>	<u>\$2,483</u>	<u>\$0</u>	<u>\$9,049</u>

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 FUND
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001**

	2002	2001
Operating Cash Receipts:		
Charges for Services	\$795,979	\$808,833
Operating Cash Disbursements:		
Personal Services	242,761	210,285
Contractual Services	97,936	83,702
Supplies and Materials	51,553	59,207
Capital Outlay	2,632,558	1,455,867
Total Operating Cash Disbursements	3,024,808	1,809,061
Operating (Loss)	(2,228,829)	(1,000,228)
Non-Operating Cash Receipts:		
Intergovernmental Receipts	304,600	590,998
Proceeds from Notes and Bonds	2,416,285	1,252,320
Earnings on Investments	22,715	23,648
Other Non-Operating Receipts	2,757	2,346
Total Non-Operating Cash Receipts	2,746,357	1,869,312
Non-Operating Cash Disbursements:		
Debt Service:		
Principal Payments	132,848	134,499
Interest Payments	60,881	65,528
Total Non-Operating Cash Disbursements	193,729	200,027
Excess of Cash Receipts Over Cash Disbursements Before Cash Advances	323,799	669,057
Advances-In	4,500	12,000
Advances-Out	(1,350)	(3,600)
Net Cash Receipts Over Cash Disbursements	326,949	677,457
Fund Cash Balances, January 1	2,070,250	1,392,793
Fund Cash Balances, December 31	\$2,397,199	\$2,070,250
Reserves for Encumbrances, December 31	\$3,737	\$108,736

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, 2002 AND 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Strasburg, Tuscarawas 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 water and sewer utilities, park operations, and police and fire services.

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

The Village is associated with certain organizations which are defined as Jointly Governed Organizations under Governmental Accounting Standards Board (GASB) Statement No. 14, Reporting Entity. These organizations are presented in Notes 11 and 12. These organizations include:

- Tuscarawas County Regional Planning Commission
- Tuscarawas County Tax Incentive Review Council

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

C. Cash and Investments

The Village maintains all cash in interest bearing checking accounts.

The investment in STAR Ohio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer. Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

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 is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

VILLAGE OF STRASBURG
TUSCARAWAS COUNTY

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following 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.

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

Police Levy Fund – This fund receives levy monies to provide police service to Village residents.

3. Debt Service Fund

This fund is used to accumulate resources for and the payment of bonds and note indebtedness. The Village had the following significant debt service fund:

Fire Truck Debt Service Fund - 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 Projects Fund

This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital projects fund:

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 that the significant costs of providing certain goods or services will be recovered through user charges. The Village had the following significant Enterprise Funds:

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

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

Sewer Plant Fund - This fund receives proceeds from loans provided by the Ohio Water Development Authority to construct a new water treatment plant.

VILLAGE OF STRASBURG
TUSCARAWAS COUNTY

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

6. Fiduciary Fund (Trust Funds)

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

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

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. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Village did not encumber all commitments required by Ohio law.

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

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as capital outlay disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

**VILLAGE OF STRASBURG
TUSCARAWAS COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2002	2001
Demand deposits	\$2,501,427	\$2,179,595
STAR Ohio	405,888	398,678
Total deposits and investments	\$2,907,315	\$2,578,273

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, (2) collateralized by securities specifically pledged by the financial institution to the Village, or (3) collateralized by the financial institution's public entity deposit pool.

Investments: Investments in STAR Ohio 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.

3. BUDGETARY ACTIVITY

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

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$486,506	\$513,125	\$26,619
Special Revenue	249,400	169,846	(79,554)
Debt Service	12,000	12,000	0
Capital Projects	100,000	36,000	(64,000)
Enterprise	5,551,556	3,542,336	(2,009,220)
Fiduciary	370,000	341,179	(28,821)
Total	\$6,769,462	\$4,614,486	(\$2,154,976)

**VILLAGE OF STRASBURG
TUSCARAWAS COUNTY**

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

3. BUDGETARY ACTIVITY (Continued)

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$687,266	\$515,865	\$171,401
Special Revenue	314,996	220,376	94,620
Debt Service	15,000	12,000	3,000
Capital Projects	106,751	35,883	70,868
Enterprise	7,693,822	3,222,274	4,471,548
Fiduciary	512,498	294,741	217,757
Total	<u>\$9,330,333</u>	<u>\$4,301,139</u>	<u>\$5,029,194</u>

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$468,769	\$575,933	\$107,164
Special Revenue	185,054	158,142	(26,912)
Debt Service	12,000	12,000	0
Capital Projects	90,000	36,000	(54,000)
Enterprise	5,017,850	2,678,145	(2,339,705)
Fiduciary	300,000	290,204	(9,796)
Total	<u>\$6,073,673</u>	<u>\$3,750,424</u>	<u>(\$2,323,249)</u>

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$662,355	\$556,559	\$105,796
Special Revenue	231,650	141,992	89,658
Debt Service	15,000	12,000	3,000
Capital Projects	125,327	64,126	61,201
Enterprise	6,656,291	2,117,824	4,538,467
Fiduciary	433,961	281,288	152,673
Total	<u>\$8,124,584</u>	<u>\$3,173,789</u>	<u>\$4,950,795</u>

4. NON-COMPLIANCE

Contrary to Ohio Rev. Code Section 135.21 and Ohio Constitution, Article XII, Section 5a, interest earned on money derived from a motor vehicle license or fuel tax was not initially allocated properly.

Contrary to Ohio Rev. Code Section 733.28, the Village Clerk did not accurately post certain receipts and expenditures.

**VILLAGE OF STRASBURG
TUSCARAWAS COUNTY**

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

4. NON-COMPLIANCE (Continued)

Contrary to Ohio Rev. Code Section 5705.39, appropriations exceeded total estimated resources for the Enterprise Water System Improvement Fund during 2001.

Contrary to Ohio Rev. Code Section 5705.41(D), certain expenditures were not certified by the Village Clerk prior to incurring the commitment.

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 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.

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, 2002 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
1973 Sewer Mortgage Revenue Bonds	\$395,000	5.00%
1999 Ohio Water Development Authority - Water Plant Building Loan	1,863,827	2.00%
1995 Ohio Water Development Authority - Sewer Plant Building Loan	11,370	5.25%
1997 Fire Truck Loan	28,968	6.00%
Total	<u>\$2,299,165</u>	

**VILLAGE OF STRASBURG
TUSCARAWAS COUNTY**

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

7. DEBT (Continued)

The mortgage revenue bonds from the Farmers Home Administration (FMHA) 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.

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 Ohio Water Development Authority (OWDA) sewer plant building loan relates to the construction of a wastewater treatment plant. The loan will be repaid in semiannual installments, with interest, over 30 years. The loan is collateralized by sewer 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.

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

	Mortgage Revenue Bonds	OWDA Water Plant Building Loan	OWDA Sewer Plant Building Loan	Fire Truck Loan
Year ending December 31:				
2003	\$49,600	\$141,056	\$8,074	\$12,000
2004	50,150	141,056	4,037	12,000
2005	49,600	141,056	0	10,531
2006	50,000	141,056	0	0
2007	49,300	141,056	0	0
2008 – 2012	248,250	705,279	0	0
2013 – 2017	48,300	705,279	0	0
2016 – 2018	0	141,056	0	0
Total	<u>\$545,200</u>	<u>\$2,256,894</u>	<u>\$12,111</u>	<u>\$34,531</u>

The Village entered into a contractual agreement for a Wastewater Treatment Plant (WWTP) Improvements and Expansion Loan from the Ohio Water Development Authority (OWDA). Under the terms of the agreement, the OWDA will reimburse allowable costs associated with the Village's WWTP project. The OWDA will capitalize interest and add it to the total amount of the final loan. The WWTP Improvements and Expansion Loan is not finalized. The loan will not have a repayment schedule until the loan is finalized; therefore, it is not included in the above schedule of debt service requirements. The Village's WWTP Improvements and Expansion Loan has a principal balance of \$3,698,605 at December 31, 2002.

**VILLAGE OF STRASBURG
TUSCARAWAS COUNTY**

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

8. RETIREMENT SYSTEMS

The Village's full-time law enforcement officers and firefighters belong to the Police and Firemen's Disability and Pension Fund (PFDPF). Other full-time and part-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PFDPF and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2002 and 2001, PFDPF participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant and 24% of fire participant wages. PERS members contributed 8.5% of their wages. During 2002 and 2001, the Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 2002.

9. RISK MANAGEMENT

Risk Pool Membership

The Government belongs to the Public Entities Pool of Ohio ("PEP"), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty insurance 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 occurrence. Claims exceeding \$250,000 are reinsured with APEEP 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-occurrence limit of \$2,000,000.

Property Coverage

PEP retains property risks, including automobile physical damage up to \$100,000 on any specific loss. The Travelers Indemnity Company reinsures specific losses exceeding \$100,000. The Travelers Indemnity Company also provides aggregate excess coverage for property including automobile physical damage subject to an annual stop loss. When the stop loss is reached in any year, The Travelers Indemnity Company provides coverage in excess of \$10,000.

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 government.

**VILLAGE OF STRASBURG
TUSCARAWAS COUNTY**

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

9. RISK MANAGEMENT (Continued)

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:

<u>Casualty Coverage</u>	<u>2001</u>	<u>2000</u>
Assets	19,358,458	\$17,112,129
Liabilities	(8,827,588)	(7,715,035)
Retained earnings	<u>\$10,530,870</u>	<u>\$9,397,094</u>

<u>Property Coverage</u>	<u>2001</u>	<u>2000</u>
Assets	1,890,323	\$1,575,614
Liabilities	(469,100)	(281,561)
Retained earnings	<u>\$1,421,223</u>	<u>\$1,294,053</u>

10. CONTINGENCIES

A. Grants

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal government. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience management believes such refunds, if any, would not be material.

B. Litigation

The Village is party to certain legal proceedings; however, management believes those legal proceedings will not have a material impact on the Village.

11. TUSCARAWAS COUNTY REGIONAL PLANNING COMMISSION

The Village participates in the Tuscarawas County Regional Planning Commission (Commission) which is statutorily created political subdivision of the State. The Commission is jointly governed amount Tuscarawas County, and other cities, villages, and townships. 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.

**VILLAGE OF STRASBURG
TUSCARAWAS COUNTY**

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

12. TUSCARAWAS COUNTY TAX INCENTIVE REVIEW COUNCIL

The Tuscarawas County Tax 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 reviews 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.

VILLAGE OF STRASBURG
TUSCARAWAS COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2002

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Expenditures
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
<i>Passed Through Ohio Department of Development:</i>			
Small Cities Community Development Block Grant (CDBG) Program	C-W-00-329-1	14.228	\$ 348,992
<u>U.S. DEPARTMENT OF JUSTICE</u>			
<i>Direct</i>			
Public Safety Partnership and Community Policing Grant		16.710	<u>26,000</u>
Total			<u>\$ 374,992</u>

The accompanying notes to this schedule are an integral part of this schedule.

**VILLAGE OF STRASBURG
TUSCARAWAS COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2002**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) summarizes activity of the Village's federal award programs. The Schedule has been prepared on the cash basis of accounting.



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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL
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 accompanying financial statements of the Village of Strasburg, Tuscarawas County, Ohio, (the Village) as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated February 10, 2003. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such 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 2002-31279-001 through 2002-31279-004.

We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated February 10, 2003.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Findings as item 2002-31279-005.

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

We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated February 10, 2003.

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

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

Betty Montgomery
Auditor of State

February 10, 2003



**Auditor of State
Betty Montgomery**

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

To the Village Council:

Compliance

We have audited the compliance of the Village of Strasburg, Tuscarawas County, Ohio, (the Village) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2002. The Village's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the Village's management. Our responsibility is to express an opinion on the Village's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the Village's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Village's compliance with those requirements.

As described in items 2002-31279-006 through 2002-31279-009 in the accompanying Schedule of Findings, the Village did not comply with requirements regarding Cash Management, Equipment, and Reporting that are applicable to its Community Development Block Grant (CDBG) program. Compliance with such requirements is necessary, in our opinion, for the Village to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the Village complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2002.

Internal Control Over Compliance

The management of the Village is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Village's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the Village's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying Schedule of Findings as items 2002-31279-006 through 2002-31279-009.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. Of the reportable conditions described above, we consider items 2002-31279-006 through 2002-31279-009 to be material weaknesses.

We also noted other matters involving the internal control over financial reporting, which we have reported to management of the Village in a separate letter dated February 10, 2003.

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



Betty Montgomery
Auditor of State

February 10, 2003

**VILLAGE OF STRASBURG
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2002 AND 2001**

1. SUMMARY OF AUDITOR'S RESULTS
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<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	Yes
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Qualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	Yes
<i>(d)(1)(vii)</i>	Major Programs (list):	Small Cities Community Development Block Grant (CDBG) Program, CFDA #14.228
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

FINDING NUMBER 2002-31279-001

Noncompliance Citation

Ohio Rev. Code Section 135.21 provides that interest earned on moneys deposited by a treasurer which do not belong in the treasury of the subdivision generally must be apportioned to the funds to which the principal belongs. All other interest earned must be credited to the General Fund of the subdivision, with certain exceptions. An exception would be interest earned on money derived from a motor vehicle license or fuel tax must follow the principle.

During 2002 and 2001, 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. Also, interest distributed to the Sewer Fund and Sewer System Improvement Fund was to comply with certain 1973 Sewer Mortgage Revenue Bond debt covenants. As a result, interest earnings in the Enterprise Fund and General Fund were initially overstated and understated, respectively, as follows:

Funds	Interest Distributed	Interest Required To Be Distributed	Adjustment
2002			
General Fund	\$9,141	\$21,504	\$12,363
Special Revenue Funds			
State High Fund	0	139	139
Street Construction, Maintenance and Repair Fund	0	5	5
Enterprise Funds			
Water Fund	17,866	0	(17,866)
Water System Improvement Fund	2,265	0	(2,265)
Sewer Fund	12,904	20,403	7,499
Sewer Reserve Fund	1,072	1,197	125
2001			
General Fund	\$6,934	\$25,432	\$18,498
Special Revenue Funds			
State Highway Fund	4	30	26
Street Construction, Maintenance and Repair Fund	20	18	(2)
Park Fund	16	0	(16)
Police Levy Fund	73	0	(73)
Fire Levy Fund	16	0	(16)
Enterprise Funds			
Water Fund	20,513	0	(20,513)
Water System Improvement Fund	4,801	0	(4,801)
Sewer Fund	13,040	18,558	5,518
Sewer System Improvement Fund	1,075	2,454	1,379

FINDING NUMBER 2002-31279-001 (Continued)

The Village Clerk should generally post interest earnings in the General Fund unless otherwise required by the aforementioned Attorney General Opinion or Ohio Rev. Code Section. A similar matter was also included in the Schedule of Findings for the period ended December 31, 2000.

FINDING NUMBER 2002-31279-002

Noncompliance Citation

Ohio Rev. Code Section 733.28 states that the Village Clerk shall keep the books of the Village and exhibit accurate statements of all moneys received and expended. During 2002 and 2001, prior to our audit adjustments, the following inaccuracies were noted within the Village's accounting records and financial statements:

- During both 2002 and 2001, the Village Clerk recorded Homestead and Rollback, Personal Property Tax Exemption, and Hotel/Motel receipts totaling approximately \$2,000 and \$9,500, respectively, in the General Fund as Taxes rather than as an Intergovernmental Receipts. As a result, Taxes and Intergovernmental Receipts were initially overstated and understated, respectively.
- During 2001, the Village Clerk initially recorded Homestead and Rollback receipts totaling approximately \$6,900 in the Special Revenue Fund as Taxes rather than as Intergovernmental Receipts. As a result, Taxes and Intergovernmental Receipts was overstated and understated, respectively.
- During 2001, the Village Clerk initially recorded Fire Truck Tax Levy receipts totaling \$12,000 in the Debt Service Fund as Proceeds From Sale of Public Debt rather than as Taxes. As a result, Proceeds and Taxes were overstated and understated, respectively.
- During 2001, the Village Clerk recorded Proceeds of Notes and Capital Outlay disbursements totaling \$200,000 in the Enterprise Sewer Plant Fund. In addition, the Village Clerk recorded Charges for Services receipts, rather than Proceeds of Notes, totaling \$200,000 in the Sewer System Improvement Fund. As a result, Proceeds of Notes and Capital Outlay expenditures were initially overstated in the Sewer Plant Fund. In addition, Charges for Services receipts and Proceeds of Notes were initially overstated and understated, respectively, in the Sewer System Improvement Fund.
- During 2001, the Village Clerk wrote checks to The Strasburg Savings Bank totaling approximately \$23,000 from the Water System Improvement Enterprise Fund to establish retainage accounts for contractors performing construction work. Once the projects were completed, The Strasburg Savings Bank returned the balances of the retainage accounts to the Village Clerk who recorded the moneys as Charges for Services and recorded the corresponding expenditures as Capital Outlay in the Water System Improvement Enterprise Fund. As a result, Charges for Services and Capital Outlay were initially overstated.

The Village Clerk should record Homestead and Rollback, Personal Property Tax Exemption, and Hotel/Motel receipts as intergovernmental receipts rather than as property taxes. The Village Clerk should record Fire Truck Tax Levy receipts as property taxes rather than as proceeds from sale of public debt. Finally, the Village Clerk should establish escrow accounts to deposit associated retainage by writing checks to the depository institution to open the account and have the depository institution write checks to the contractors at the completion of the project in order to avoid overstating of receipts and expenditures.

FINDING NUMBER 2002-31279-002 (Continued)

In addition, the Village Clerk should periodically review the Revenue and Expenditure Reports to ensure individual receipts and expenditures have been properly classified and recorded. This will help ensure that receipt and expenditure activity is complete, accurate, and properly classified. A similar matter was also included in the Management Letter for the period ended December 31, 2000.

FINDING NUMBER 2002-31279-003

Noncompliance Citation

Ohio Rev. Code Section 5705.39 states total appropriations from each fund shall not exceed the total estimated resources. No appropriation measure is to become effective until the County Auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate of resources.

At December 31, 2001, appropriations exceeded estimated resources in the Enterprise Water System Improvement Fund by approximately \$141,000 (23% of estimated resources). The Village should monitor appropriations compared with the Village's estimated resources to help avoid overspending. A similar matter was also included in the Schedule of Findings for the period ending December 31, 2000.

FINDING NUMBER 2002-31279-004

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D) requires that no subdivision or taxing unit make any contract or order any expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the same has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such certificate shall be null and void and no warrant shall be issued in payment of any amount due thereon.

This section also provides for two "exceptions" to the above requirements:

- a. Then and Now Certificates – If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Village Council may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.
- b. If the amount involved is less than \$1,000, the Village Clerk may authorize payment through a Then and Now Certificate without affirmation of Village Council.

During 2002 and 2001, 11 out of 60 (18%) of expenditures tested were not certified by the Village Clerk prior to incurring the commitment. It was found that neither of the two exceptions above were utilized for the items found to be in non-compliance. The Village should implement the use of so called Then and Now certificates and blanket certificates as further permitted by Ohio Rev. Code 5705.41.

FINDING NUMBER 2002-31279-005

Reportable Condition

Budgetary Activity

During 2001, the Village's estimated receipts posted to the Village's Year To Date Fund Report did not reconcile to the Amended Official Certificate of Estimated Resources approved by the County Budget Commission by amounts ranging up to roughly \$95,000. Consequently, Village Council and the Village Clerk were unable to accurately monitor the Village's budget status. This condition prevented the Village Council and the Village Clerk from properly evaluating, on an on-going basis, the status of anticipated Village financial resources.

Budgetary amounts should be posted to the subsidiary ledgers as they appear on the Amended Official Certificate of Estimated Resources. In addition, the Village Clerk should periodically reconcile the Village's Year To Date Fund Report to ensure estimated receipts are posted accurately and timely. This will help ensure Village Council and the Village Clerk can effectively monitor and assess, on an on-going basis, results of estimated versus actual receipt activity. A similar matter was also included in the Schedule of Findings for the period ended December 31, 2000.

3. FINDINGS FOR FEDERAL AWARDS

Noncompliance Citation

Finding Number	2002-31279-006
CFDA Title	Small Cities Community Development Block Grant
CFDA Number	14.228
Pass Through Entity Number/Year	C-W-00-329-1/2000
Federal Oversight Agency	U.S. Department of Housing and Urban Development

OHCP *Financial Management Rules and Regulations, Section (A)(3)(f)* states that grantees must develop a cash management system to ensure compliance with the 15 Day Rule relating to prompt disbursement of funds. This rule states that funds drawn down should be limited to amounts that will enable the grantee to disburse the funds on hand to a balance of less than \$5,000 within 15 days of receipt of any funds. Lump sum draw downs are not permitted.

On November 9, 2001, the Village receipted Community Development Block Grant (CDBG) funds totaling \$495,000 in the Sewer Plant Fund (Fund No. E12); however, the Village did not begin to disburse the CDBG funds until October 2002, contrary to the 15 Day Rule. As a result, the Village did not adhere to the 15 day requirement. To help ensure compliance, the Village should develop a cash management system to ensure CDBG funds on hand are reduced to a balance of less than \$5,000 within 15 days. This will help ensure compliance with Ohio Housing and Community Partnership (OHCP) Financial Management Rules and Regulations.

Noncompliance Citation

Finding Number	2002-31279-007
CFDA Title	Small Cities Community Development Block Grant
CFDA Number	14.228
Pass Through Entity Number/Year	C-W-00-329-1/2000
Federal Oversight Agency	U.S. Department of Housing and Urban Development

OHCP Financial Management Rules and Regulations, Section (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 equipment, grit removal equipment, and miscellaneous electrical equipment; however, the Village's inventory records were not updated accordingly. The Village should update its 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.

Noncompliance Citation

Finding Number	2002-31279-008
CFDA Title	Small Cities Community Development Block Grant
CFDA Number	14.228
Pass Through Entity Number/Year	C-W-00-329-1/2000
Federal Oversight Agency	U.S. Department of Housing and Urban Development

Small Cities CDBG Water and Sanitary Sewer Competitive Grant Program Grant Agreement, Accounting of Funds states that funds shall be deposited and maintained in a separate account upon the books and records of the Grantee (the "Account"). The Grantee shall keep all records of the Account in a manner which is consistent with generally accepted accounting principles. All disbursements from the Account shall be for obligations incurred in the performance of this Agreement and shall be supported by contracts, invoices, vouchers, and other data, as appropriate, evidencing the necessity of such expenditure. Failure to comply with this requirement may allow Grantor to withhold payment allocation requests until such compliance is demonstrated.

During 2002 and 2001, the Village commingled Ohio Water Development Authority, Issue II and Community Development Block Grant (CDBG) receipts and expenditures within the Sewer Plant Fund (Fund No. E12) which effectively eliminated specific identification of each respective grant associated expenditures. Additionally, the Village's annual report is filed on a comprehensive basis of accounting other than generally accepted accounting principles. The Village Clerk should establish a separate fund to account for CDBG activity and prepare financial statements in accordance with generally accepted accounting principles. This will help ensure compliance with the CDBG grant agreement.

Noncompliance Citation

Finding Number	2002-31279-009
CFDA Title	Small Cities Community Development Block Grant
CFDA Number	14.228
Pass Through Entity Number/Year	C-W-00-329-1/2000
Federal Oversight Agency	U.S. Department of Housing and Urban Development

OHCP *Financial Management Rules and Regulations Handbook* requires the local government to utilize Status of Funds Reports. Also, the **Small Cities CDBG Water and Sanitary Sewer Competitive Grant Program Grant Agreement, Attachment C** requires the Grantee to submit to the Grantor a Status Report beginning six months after the effective date of the agreement.

The Village contracted with Ohio Mid-Eastern Governments Association (OMEGA) to perform various duties which included preparation of Community Development Block Grant (CDBG) Status Reports. Upon review of 100% (3 of 3) of the CDBG Status Reports prepared and subsequently submitted to the Ohio Housing and Community Partnership (OHCP), none of the reports accurately reflected CDBG expenditure activity. For example, the third CDBG Status Report dated August 9, 2002 indicated that 100% of the \$495,000 CDBG funds receipted were subsequently expended; however, the Village did not begin to disburse the CDBG funds until October 2002. As a result, the Village submitted inaccurate CDBG Status Reports to OHCP. The Village, in conjunction with OMEGA, should re-submit accurate CDBG Status Reports. This will help ensure accurate CDBG expenditure activity is available to OHCP as well as help ensure the continuation of the Village's eligibility for participation in the CDBG program.

**VILLAGE OF STRASBURG
TUSCARAWAS COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2000-31279-001	Ohio Rev. Code Section 5705.39 – Total appropriations exceeded total estimated resources within certain Enterprise Funds.	No	Partially Corrected – Refer to Finding Number 2002-31279-003.
2000-31279-002	Article XII, Section 5a Ohio Constitution, and Ohio Attorney General Opinion 1982 Op. Attorney General No. 82-031 – The Village did not distribute interest earnings in accordance with requirements.	No	Not Corrected – Refer to Finding Number 2002-31279-001.
2000-31279-003	Non-Payroll Expenditures – The Village Clerk and the Mayor signed a single blank Purchase Order and that Purchase Order was copied, as needed, to certify that funds were available for expenditure.	No	Partially Corrected – During 2001 and 2002, the Village utilized Purchase Orders. However, the Village Clerk was the only Village Official approving Purchase Orders.
2000-31279-004	Budgetary Activity - Estimated receipts and appropriations posted to certain funds on the Village's Revenue and Budget History Reports, respectively, did not agree to amounts approved by Village Council.	No	Partially Corrected – Refer to Finding Number 2002-31279-005.



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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
MARCH 20, 2003**