



**VILLAGE OF STRASBURG
TUSCARAWAS COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2006-2005



Mary Taylor, CPA
Auditor of State

VILLAGE OF STRASBURG
TUSCARAWAS COUNTY

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Mary Taylor, CPA

Auditor of State

Village of Strasburg
Tuscarawas County
358 5th 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 Village 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 cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

March 30, 2007

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Strasburg
Tuscarawas County
358 5th 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, 2006 and 2005. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in 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.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2006 and 2005. Instead of the combined funds the accompanying financial statements present, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately. 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.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2006 and 2005 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2006 and 2005, or its changes in financial position or cash flows of its proprietary funds for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Strasburg, Tuscarawas County, Ohio, as of December 31, 2006 and 2005, 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 years ended December 31, 2006 and 2005. 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 March 30, 2007, 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.



Mary Taylor, CPA
Auditor of State

March 30, 2007

**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, 2006**

	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	\$105,495	\$482,344				\$587,839
Intergovernmental Receipts	85,470	124,056				209,526
Charges for Services	73,344	33,199				106,543
Fines, Licenses, and Permits	6,701					6,701
Earnings on Investments	59,023	162				59,185
Miscellaneous	32,772					32,772
Total Cash Receipts	362,805	639,761				1,002,566
Cash Disbursements:						
Current:						
Security of Persons and Property	289,783	34,530				324,313
Public Health Services	1,575					1,575
Leisure Time Activities		35,600				35,600
Community Environment	2,400					2,400
Basic Utility Services	65,000	2,221				67,221
Transportation		106,331				106,331
General Government	209,243	26,758				236,001
Capital Outlay	49,326	104,446		\$25,259		179,031
Total Cash Disbursements	617,327	309,886		25,259		952,472
Total Receipts Over/(Under) Disbursements	(254,522)	329,875		(25,259)		50,094
Other Financing Receipts and (Disbursements):						
Transfers-In	315,000	42,000		63,000		420,000
Transfers-Out		(420,000)				(420,000)
Other Financing Uses		(5,444)				(5,444)
Total Other Financing Receipts/(Disbursements)	315,000	(383,444)		63,000		(5,444)
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	60,478	(53,569)		37,741		44,650
Fund Cash Balances, January 1	259,911	297,200	\$14	15,967	\$7,366	580,458
Fund Cash Balances, December 31	\$320,389	\$243,631	\$14	\$53,708	\$7,366	\$625,108
Reserves for Encumbrances, December 31	\$1,674	\$944	\$0	\$260	\$0	\$2,878

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, 2005**

	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	\$96,727	\$413,376	\$4,355			\$514,458
Intergovernmental Receipts	118,034	114,019				232,053
Charges for Services	76,358	21,475				97,833
Fines, Licenses, and Permits	7,949					7,949
Earnings on Investments	53,413	133				53,546
Contributions and Donations		51,015				51,015
Miscellaneous	25,150	250				25,400
Total Cash Receipts	377,631	600,268	4,355			982,254
Cash Disbursements:						
Current:						
Security of Persons and Property	267,721	46,205				313,926
Public Health Services	1,509					1,509
Leisure Time Activities		27,874				27,874
Community Environment	2,841					2,841
Basic Utility Services	63,154	3,310				66,464
Transportation		114,221				114,221
General Government	221,691	22,693				244,384
Debt Service:						
Principal Payments			7,149			7,149
Interest Payments			192			192
Capital Outlay	27,324	35,570		\$44,316		107,210
Total Cash Disbursements	584,240	249,873	7,341	44,316		885,770
Total Receipts Over/(Under) Disbursements	(206,609)	350,395	(2,986)	(44,316)		96,484
Other Financing Receipts and (Disbursements):						
Transfers-In	195,000	26,000		39,000		260,000
Transfers-Out		(260,000)				(260,000)
Other Financing Uses		(14,427)				(14,427)
Total Other Financing Receipts/(Disbursements)	195,000	(248,427)		39,000		(14,427)
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(11,609)	101,968	(2,986)	(5,316)		82,057
Restated Fund Cash Balances, January 1 (see note 2)	271,520	195,232	3,000	21,283	\$7,366	498,401
Fund Cash Balances, December 31	\$259,911	\$297,200	\$14	\$15,967	\$7,366	\$580,458
Reserves for Encumbrances, December 31	\$629	\$25,643	\$0	\$0	\$0	\$26,272

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, 2006 AND 2005**

	2006	2005
Operating Cash Receipts:		
Charges for Services	\$872,355	\$854,189
Permits and Fees	43,043	11,633
	915,398	865,822
Total Operating Cash Receipts		
Operating Cash Disbursements:		
Personal Services	286,546	283,328
Contractual Services	126,480	123,536
Supplies and Materials	71,715	70,541
Capital Outlay	293,889	39,045
	778,630	516,450
Total Operating Cash Disbursements		
Operating Income	136,768	349,372
Non-Operating Cash Receipts:		
Proceeds from Notes and Bonds	265,147	
Other Non-Operating Receipts	150	150
	265,297	150
Total Non-Operating Cash Receipts		
Non-Operating Cash Disbursements:		
Debt Service Principal	304,685	298,834
Debt Service Interest	122,568	129,619
	427,253	428,453
Total Non-Operating Cash Disbursements		
Net Receipts (Under) Disbursements	(25,188)	(78,931)
Restated Fund Cash Balances, January 1 (see Note 2)	1,846,240	1,925,171
Fund Cash Balances, December 31	\$1,821,052	\$1,846,240
Reserve for Encumbrances, December 31	\$16,931	\$1,055

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, 2006 AND 2005**

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, Ohio (the Village) as a body corporate and politic. A publicly-elected six-member Council governs the Village. The Village provides water, sewer and refuse utilities, park operations, and police services. The Village appropriates general fund money to support a volunteer fire and EMS department.

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.

Money market mutual funds (including STAR Ohio) are recorded 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, 2006 AND 2005
(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 Village's 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 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 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, 2006 AND 2005
(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 Fund)

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 classifies 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 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 2006 and 2005 budgetary activity appears in Note 4.

**VILLAGE OF STRASBURG
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(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

The Village improperly allocated interest earnings in the prior audit. As a result, the Village posted adjustments to their accounting system in the current audit period to correct the fund balances in the General Fund and Enterprise Funds. The fund cash balances have been restated as follows:

	<u>General Fund</u>	<u>Enterprise Funds</u>
Previously Reported Fund Cash Balance, December 31, 2004	\$214,663	\$1,982,028
Correction of Interest Allocation	<u>56,857</u>	<u>(56,857)</u>
Restated Fund Balance, January 1, 2005	<u>\$271,520</u>	<u>\$1,925,171</u>

3. EQUITY IN POOLED CASH AND INVESTMENTS

Monies held by the Village are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Village treasury. Active monies must be maintained either as cash in the Village treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits Village Council has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Village can be deposited or invested in the following securities:

**VILLAGE OF STRASBURG
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

3. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

1. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
2. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
3. The State Treasurer's investment pool (STAR Ohio).

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. At December 31, 2006 and 2005, \$1,805,338 and \$1,804,979 of the Village's bank balances of \$2,022,481 and \$2,021,811, respectively were exposed to custodial credit risk because those deposits were uninsured and collateralized with securities specifically pledged by the financial institution to the Village.

The Village has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Village or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

The Village's only investment in 2006 and 2005 was STAROhio. The amount invested in Star Ohio at December 31, 2006 and 2005 was \$449,976 and \$428,589, respectively.

Interest Rate Risk. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Village, and that an investment must be purchased with the expectation that it will be held to maturity. The Village had no investment policy that would further limit investment choices.

Credit Risk. STAROhio carries a rating of AAAM by Standard and Poor's. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service.

Concentration of Credit Risk. The Village places no limit on the amount it may invest in any one issuer.

**VILLAGE OF STRASBURG
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

4. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2006 and 2005 follows:

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$675,700	\$677,805	\$2,105
Special Revenue	562,800	681,761	118,961
Debt Service	0	0	0
Capital Projects	50,000	63,000	13,000
Enterprise	941,200	1,180,695	239,495
Fiduciary	0	0	0
Total	\$2,229,700	\$2,603,261	\$373,561

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$837,911	\$619,001	\$218,910
Special Revenue	924,351	736,274	188,077
Debt Service	14	0	14
Capital Projects	50,967	25,519	25,448
Enterprise	2,808,456	1,222,814	1,585,642
Fiduciary	7,366	0	7,366
Total	\$4,629,065	\$2,603,608	\$2,025,457

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$580,823	\$572,631	(\$8,192)
Special Revenue	557,645	626,268	68,623
Debt Service	9,342	4,355	(4,987)
Capital Projects	50,000	39,000	(11,000)
Enterprise	941,200	865,972	(75,228)
Fiduciary	0	0	0
Total	\$2,139,010	\$2,108,226	(\$30,784)

**VILLAGE OF STRASBURG
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

4. BUDGETARY ACTIVITY (Continued)

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$726,162	\$584,869	\$141,293
Special Revenue	749,393	549,943	199,450
Debt Service	7,355	7,341	14
Capital Projects	71,283	44,316	26,967
Enterprise	2,975,462	945,958	2,029,504
Fiduciary	7,366	0	7,366
Total	\$4,537,021	\$2,132,427	\$2,404,594

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.

**VILLAGE OF STRASBURG
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

7. DEBT

Debt outstanding at December 31, 2006 was as follows:

	Principal	Interest Rate
1973 Mortgage Revenue Bonds	\$299,000	5.00%
1999 Ohio Water Development Authority - Water Plant Building Loan	1,436,090	2.00%
2003 Ohio Water Development Authority - Wastewater Treatment Plant Expansion	3,303,368	2.20%
Total	\$5,038,458	

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, and sewer reserves.

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) 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	OWDA WWTP Expansion Loan
2007	\$40,150	\$70,528	\$246,047
2008	38,950	141,056	246,047
2009	37,750	141,055	246,047
2010	36,550	141,055	246,047
2011	35,350	141,056	246,047
2012-2016	158,750	705,280	1,230,235
2017-2021	92,075	282,112	1,230,235
2022-2023			369,069
Total	\$439,575	\$1,622,142	\$4,059,774

**VILLAGE OF STRASBURG
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

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 2006 and 2005, OP&F participants contributed 10 percent of their wages. The Village contributed an amount equal to 19.5 percent of police 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, 2006.

9. RISK MANAGEMENT

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

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 occurrence, including claim 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 \$10,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$12,000,000 with the General Reinsurance Corporation, through contracts with PEP.

If losses exhaust PEP's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

Through 2004, PEP retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable value. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2005 was \$1,682,589.

**VILLAGE OF STRASBURG
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

9. RISK MANAGEMENT (Continued)

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.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

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, 2005 and 2004 (the latest information available).

10. 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.

11. 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 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.



Mary Taylor, CPA

Auditor of State

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 5th 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, 2006 and 2005 and have issued our report thereon dated March 30, 2007, wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. 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 as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

We noted certain matters that we reported to the Village's management in a separate letter dated March 30, 2007.

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 test disclosed an instance of noncompliance or other matter that we must report under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings as item 2006-001.

We also noted certain noncompliance or other matters that we reported to the Village's management in a separate letter dated March 30, 2007.

The Village's response to the finding identified in our audit is described in the accompanying Schedule of Findings. We did not audit the Village's response and, accordingly, we express no opinion on it.

We intend this report solely for the information and use of the audit committee, management and Village Council. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

March 30, 2007

**VILLAGE OF STRASBURG
TUSCARAWAS COUNTY**

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

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

FINDING NUMBER 2006-001

Noncompliance Citation

Ohio Revised Code Section 135.21 provides for the allocation of interest among funds.

Interest earned on monies deposited by a treasurer which do not belong in the treasury of the subdivision, due to their status as custodial funds, because he is acting as ex officio treasurer, or otherwise, generally must be apportioned to the funds to which the principal belongs (including undivided tax funds).

All interest earned must be credited to the general funds of the subdivision, with the following exceptions:

- Interest earned on money derived from a motor vehicle license or fuel tax must follow the principal (Article XII, Section 5a, Ohio Const. And 1982 Op. Atty Gen No. 82-031.)
- Interest earned on money received from the federal government may be due to the fund to which the principal belongs.

During 2005, 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:

<u>Funds</u>	<u>Interest Distributed</u>	<u>Interest Required To Be Distributed</u>	<u>Variance</u>
General Fund	\$31,341	\$53,413	\$22,072
Enterprise Funds			
Water Fund	11,188	0	11,188
Sewer Fund	10,884	0	10,884

The Village Clerk should generally post interest earnings to the General Fund unless otherwise permitted or required by the Ohio Rev. Code. The Village's financial statements have been adjusted accordingly.

Officials' Response: During 2006, the Village began distributing interest pursuant to the aforementioned Section of the Ohio Revised Code.

**VILLAGE OF STRASBURG
TUSCARAWAS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31 2006 AND 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2004-001	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.	Yes	Finding No Longer Valid.
2004-002	Ohio Rev. Code Section 135.21 – Interest was not distributed according to the Revised Code.	No	Not Corrected. Refer to Finding 2006-001.



Mary Taylor, CPA
Auditor of State

VILLAGE OF STRASBURG

TUWCARAWAS 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
MAY 10, 2007**