



Dave Yost • Auditor of State

VILLAGE OF STRASBURG
TUSCARAWAS COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Village of Strasburg
Tuscarawas County
358 Fifth St. SW
Strasburg, Ohio 44680

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Strasburg, Tuscarawas County, Ohio (the Village), as of and for the years ended December 31, 2014 and 2013.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

As described in Note 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and

Ohio Administrative Code § 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

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

Opinion on Regulatory Basis of Accounting

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

Emphasis of Matter

As discussed in Note 2 to the financial statements, certain prior year receipts and disbursements were not posted to proper funds in 2012 and 2011, affecting the General and Special Revenue Fund balances. The fund balance at January 1, 2013 has been restated accordingly.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 16, 2016, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

February 16, 2016

**VILLAGE OF STRASBURG
TUSCARAWAS COUNTY**

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

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$121,489	\$76,923	\$0	\$0	\$198,412
Municipal Income Tax	701,753	0	0	0	701,753
Intergovernmental	59,293	154,423	0	199,960	413,676
Charges for Services	120,753	82,218	0	0	202,971
Fines, Licenses and Permits	7,072	0	0	0	7,072
Earnings on Investments	1,051	10	0	0	1,061
Miscellaneous	26,845	324	0	0	27,169
<i>Total Cash Receipts</i>	<u>1,038,256</u>	<u>313,898</u>	<u>0</u>	<u>199,960</u>	<u>1,552,114</u>
Cash Disbursements					
Current:					
Security of Persons and Property	376,136	0	0	0	376,136
Public Health Services	2,328	0	0	0	2,328
Leisure Time Activities	0	35,575	0	0	35,575
Community Environment	5,260	0	0	0	5,260
Basic Utility Services	87,330	0	0	0	87,330
Transportation	0	139,584	0	0	139,584
General Government	237,296	0	0	0	237,296
Capital Outlay	99,158	152,222	0	199,592	450,972
<i>Total Cash Disbursements</i>	<u>807,508</u>	<u>327,381</u>	<u>0</u>	<u>199,592</u>	<u>1,334,481</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>230,748</u>	<u>(13,483)</u>	<u>0</u>	<u>368</u>	<u>217,633</u>
Other Financing Receipts (Disbursements)					
Transfers In	0	70,137	0	105,206	175,343
Transfers Out	(175,343)	0	0	0	(175,343)
Other Financing Uses	(1,198)	0	0	0	(1,198)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(176,541)</u>	<u>70,137</u>	<u>0</u>	<u>105,206</u>	<u>(1,198)</u>
<i>Net Change in Fund Cash Balances</i>	54,207	56,654	0	105,574	216,435
<i>Fund Cash Balances, January 1</i>	<u>136,010</u>	<u>7,917</u>	<u>14</u>	<u>6,219</u>	<u>150,160</u>
Fund Cash Balances, December 31					
Restricted	0	64,571	0	0	64,571
Committed	0	0	0	111,793	111,793
Assigned	190,217	0	14	0	190,231
<i>Fund Cash Balances, December 31</i>	<u>\$190,217</u>	<u>\$64,571</u>	<u>\$14</u>	<u>\$111,793</u>	<u>\$366,595</u>

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

**VILLAGE OF STRASBURG
TUSCARAWAS COUNTY**

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

	<u>Enterprise</u>
Operating Cash Receipts	
Charges for Services	\$1,136,858
Fines, Licenses and Permits	74,891
	<u>1,211,749</u>
Operating Cash Disbursements	
Personal Services	379,132
Contractual Services	207,424
Supplies and Materials	109,944
Capital Outlay	51,524
	<u>748,024</u>
<i>Total Operating Cash Disbursements</i>	<u>748,024</u>
<i>Operating Income</i>	<u>463,725</u>
Non-Operating (Disbursements)	
Principal Retirement	(333,916)
Interest and Other Fiscal Charges	(54,887)
	<u>(388,803)</u>
<i>Total Non-Operating (Disbursements)</i>	<u>(388,803)</u>
<i>Net Change in Fund Cash Balances</i>	74,922
<i>Fund Cash Balances, January 1</i>	<u>1,824,536</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$1,899,458</u></u>

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

**VILLAGE OF STRASBURG
TUSCARAWAS COUNTY**

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

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$109,480	\$82,130	\$0	\$0	\$191,610
Municipal Income Tax	485,744	0	0	0	485,744
Intergovernmental	51,469	147,580	0	0	199,049
Charges for Services	130,933	51,773	0	0	182,706
Fines, Licenses and Permits	10,233	0	0	0	10,233
Earnings on Investments	1,531	8	0	0	1,539
Miscellaneous	22,488	0	0	0	22,488
<i>Total Cash Receipts</i>	<u>811,878</u>	<u>281,491</u>	<u>0</u>	<u>0</u>	<u>1,093,369</u>
Cash Disbursements					
Current:					
Security of Persons and Property	380,253	0	0	0	380,253
Public Health Services	1,832	0	0	0	1,832
Leisure Time Activities	0	31,429	0	0	31,429
Community Environment	4,645	0	0	0	4,645
Basic Utility Services	87,330	0	0	0	87,330
Transportation	0	137,177	0	0	137,177
General Government	246,110	0	0	0	246,110
Capital Outlay	62,615	185,796	0	86,359	334,770
<i>Total Cash Disbursements</i>	<u>782,785</u>	<u>354,402</u>	<u>0</u>	<u>86,359</u>	<u>1,223,546</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>29,093</u>	<u>(72,911)</u>	<u>0</u>	<u>(86,359)</u>	<u>(130,177)</u>
Other Financing Receipts (Disbursements)					
Transfers In	0	42,349	0	63,522	105,871
Transfers Out	(105,871)	0	0	0	(105,871)
Proceeds of Loan	59,758	0	0	0	59,758
Other Financing Uses	(15,744)	0	0	0	(15,744)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(61,857)</u>	<u>42,349</u>	<u>0</u>	<u>63,522</u>	<u>44,014</u>
<i>Net Change in Fund Cash Balances</i>	<u>(32,764)</u>	<u>(30,562)</u>	<u>0</u>	<u>(22,837)</u>	<u>(86,163)</u>
<i>Fund Cash Balances, January 1, Restated - see Note 2</i>	<u>168,774</u>	<u>38,479</u>	<u>14</u>	<u>29,056</u>	<u>236,323</u>
Fund Cash Balances, December 31					
Restricted	0	7,917	0	0	7,917
Committed	0	0	0	6,219	6,219
Assigned	136,010	0	14	0	136,024
<i>Fund Cash Balances, December 31</i>	<u>\$136,010</u>	<u>\$7,917</u>	<u>\$14</u>	<u>\$6,219</u>	<u>\$150,160</u>

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

**VILLAGE OF STRASBURG
TUSCARAWAS COUNTY**

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

	Enterprise
Operating Cash Receipts	
Charges for Services	\$1,131,954
Fines, Licenses and Permits	110,715
	1,242,669
<i>Total Operating Cash Receipts</i>	<i>1,242,669</i>
Operating Cash Disbursements	
Personal Services	394,353
Contractual Services	216,966
Supplies and Materials	114,593
Capital Outlay	92,594
	818,506
<i>Total Operating Cash Disbursements</i>	<i>818,506</i>
<i>Operating Income</i>	<i>424,163</i>
Non-Operating Receipts (Disbursements)	
Miscellaneous Receipts	41,974
Principal Retirement	(326,988)
Interest and Other Fiscal Charges	(61,814)
Other Financing Sources	4,992
	(341,836)
<i>Total Non-Operating Receipts (Disbursements)</i>	<i>(341,836)</i>
<i>Net Change in Fund Cash Balances</i>	<i>82,327</i>
<i>Fund Cash Balances, January 1</i>	<i>1,742,209</i>
<i>Fund Cash Balances, December 31</i>	<i>\$1,824,536</i>

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

**VILLAGE OF STRASBURG
TUSCARAWAS COUNTY**

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

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Strasburg, Tuscarawas County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, refuse and compost services, park operations, fire protection services and police services. The Village contracts with Smith Ambulance Services, Inc. to provide emergency medical services.

The Village participates in two jointly governed organizations. Note 11 to the financial statements provides additional information for these entities. These organizations are:

Tuscarawas County Regional Planning Commission – 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.

Tuscarawas County Tax Incentive Review Council – 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.

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

B. Accounting Basis

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit.

C. Deposits and Investments

Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report.

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:

**VILLAGE OF STRASBURG
TUSCARAWAS COUNTY**

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

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

1. General Fund

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

2. Special Revenue Funds

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

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

Police Levy Fund – This fund receives property and other local tax money for the operation of the Village police department.

Fire Levy Fund – This fund receives property and other local tax money for the operation of the Village's volunteer fire department.

3. Debt Service Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Village had the following significant Debt Service Funds:

Fire Truck Debt Service Fund – This fund is used to account for the payment of principal and interest on the Village's fire truck loan.

4. Capital Project Funds

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

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

**VILLAGE OF STRASBURG
TUSCARAWAS COUNTY**

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

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

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.

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

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, object level of control and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2014 and 2013 budgetary activity appears in Note 4.

VILLAGE OF STRASBURG
TUSCARAWAS COUNTY

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

1. **Summary of Significant Accounting Policies (Continued)**

F. Fund Balance

Fund balance is divided into classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. Of these classifications, the Village has the following:

1. Restricted

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

2. Committed

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

3. Assigned

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

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

G. Property, Plant, and Equipment

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

2. **Restatement of Fund Balance**

During 2012, \$1,120 in auditor and treasurer fees was allocated to the Park Fund instead of the General Fund. During 2011, \$4,078 of homestead and rollback receipts of the Fire, Police, and Park Funds were posted to the General Fund; \$1,957 of motor vehicle license receipts were posted to the General Fund instead of the Street Fund; and \$1,223 in Police Levy Fund taxes were posted to the Fire Fund. The beginning balances of the aforementioned funds were restated at January 1, 2013 as shown below:

**VILLAGE OF STRASBURG
TUSCARAWAS COUNTY**

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

2. Restatement of Fund Balance (Continued)

	General Fund Balance	Special Revenue Fund Balance
January 1, 2013 fund balances as reported:	\$175,929	\$31,324
Adjustment: 2012 & 2011 Receipts	(6,035)	6,035
Adjustment: 2011 Disbursements	(1,120)	1,120
Restated January 1, 2013 fund balance	\$168,774	\$38,479

3. Equity in Pooled Deposits and Investments

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

	2014	2013
Demand deposits	\$657,182	\$366,356
STAR Ohio	1,608,871	1,608,340
Total deposits and investments	\$2,266,053	\$1,974,696

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

Investments: Investments in STAR Ohio and mutual funds are not evidenced by securities that exist in physical or book-entry form.

4. Budgetary Activity

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

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,052,911	\$1,038,256	(\$14,655)
Special Revenue	368,859	384,035	15,176
Capital Projects	200,000	305,166	105,166
Enterprise	1,305,015	1,211,749	(93,266)
Total	\$2,926,785	\$2,939,206	\$12,421

**VILLAGE OF STRASBURG
TUSCARAWAS COUNTY**

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

4. Budgetary Activity (Continued)

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$719,508	\$984,049	(\$264,541)
Special Revenue	318,231	327,381	(9,150)
Debt Service	14	0	14
Capital Projects	67,649	199,592	(131,943)
Enterprise	3,125,248	1,136,827	1,988,421
Total	\$4,230,650	\$2,647,849	\$1,582,801

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$835,537	\$871,636	\$36,099
Special Revenue	316,800	323,840	7,040
Capital Projects	67,500	63,522	(3,978)
Enterprise	1,305,015	1,289,635	(15,380)
Total	\$2,524,852	\$2,548,633	\$23,781

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,016,027	\$904,400	\$111,627
Special Revenue	394,194	354,402	39,792
Debt Service	14	0	14
Capital Projects	90,486	86,359	4,127
Enterprise	3,002,922	1,207,308	1,795,614
Total	\$4,503,643	\$2,552,469	\$1,951,174

Contrary to Ohio Rev. Code § 5705.40, the Village failed to approve all appropriation modifications posted to the accounting records. Also contrary to Ohio Rev. Code § 5705.41(B) expenditures exceeded appropriation authority in the General, Income Tax, Park, Fire Levy, and Capital Improvement Funds by \$56,636, \$207,905, \$3,205, \$27,438, and \$131,943, respectively, for the year ended December 31, 2014.

Contrary to Ohio Revised Code § 5705.10(C), property tax reimbursements were not included in the correct funds resulting in adjustment to certain fund's cash balances.

Contrary to Ohio Revised Code § 5705.10(I), the Village made street sweeping disbursements of \$6,070 from the Capital Improvement Fund instead of the Street Fund in 2013.

**VILLAGE OF STRASBURG
TUSCARAWAS COUNTY**

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

5. Property Tax

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

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

6. Local Income Tax

The Village levied a municipal income tax of 1 percent through June 30, 2014, when the tax was increased to 1.5 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.

The Village's income tax of 1.5 percent is comprised of not more than 75 percent of the net available income tax being allocated to the General Fund, at least 15 percent of the net available income tax being allocated to the Capital Projects Fund, and at least 10 percent of the net available income tax being allocated to the Park Fund.

7. Debt

Debt outstanding at December 31, 2014 was as follows:

	Principal	Interest Rate
OWDA - 1999 Water Plant Building Loan #2887	\$471,931	2.00%
OWDA - WTPP Improvements & Expansion Loan #3478	1,795,870	2.20%
OPWC - Bodmer Ave and Waterline between 5th and 9th	7,650	0.00%
Backhoe Loan	44,548	2.51%
Total	\$2,319,999	

The Village received a \$2,306,464 loan (#2887) from the Ohio Water Development Authority (OWDA) to construct a new well water treatment plant in 2001. Semi-annual payments are made from the Water System Improvement Fund, with the final payment due July 1, 2018.

The Village was approved for a \$3,963,752 loan (#3478) from OWDA for a project upgrading the waste water treatment plant project in 1998. Semi-annual payments are made from the Sewer Fund, with the final payment due January 1, 2023.

**VILLAGE OF STRASBURG
TUSCARAWAS COUNTY**

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

7. Debt (Continued)

The Village was approved for a \$17,000 loan (#CN06L) from the Ohio Public Works Commission (OPWC) for the installation of a water line on Bodmer Ave. between 5th and 9th in 2009. Semi-annual payments are made from the Water System Improvement Fund, with the final payment due July 20, 2019.

In 2013, the Village was approved for a loan for the purchase of a backhoe in the amount of \$59,758 from the Kansas State Bank to be used at the compost site. The loan is to be repaid over 5 years, at an interest rate of 2.51%, using compost charges for service. The final payment is due September 1, 2018. The loan is secured by the backhoe.

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

Year ending December 31:	OWDA Water Plant Building Loan	OWDA WWTP Expansion Loan	OPWC - Bodmer Ave and Waterline between 5th and 9th Loan	Backhoe Loan
2015	\$141,056	\$246,047	\$1,700	\$12,730
2016	141,056	246,047	1,700	12,730
2017	141,056	246,047	1,700	12,730
2018	70,528	246,047	1,700	8,486
2019		246,047	850	0
2020-2024		738,140		0
Total	<u>\$493,696</u>	<u>\$1,968,375</u>	<u>\$7,650</u>	<u>\$46,676</u>

8. Retirement Systems

A. Police and Fire and Public Employees Retirement System

The Village's full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Rev. Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Rev. Code also prescribes contribution rates. For the period of January through June 2013, July 2013 through June 2014, and July 2014 through December 2014, OP&F participants contributed 10%, 10.75%, and 11.5% of their wages, respectively. For 2014 and 2013, the Village picked up a maximum of 10% of the employee's share of contributions. For 2014 and 2013, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2014 and 2013, OPERS members contributed \$87,726, 10%, of their gross salaries and the Village contributed an amount equaling \$122,817, 14%, of participants' gross salaries. For 2014 and 2013, the Village picked up the employee's 10% share of contributions. The Village has paid all contributions required through December 31, 2014.

**VILLAGE OF STRASBURG
TUSCARAWAS COUNTY**

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

8. Retirement Systems (Continued)

B. Social Security System

Effective July 1, 1991, all employees not otherwise covered by Ohio Public Employees Retirement System have had an option to choose Social Security. As of December 31, 2014, all of the Village employees, not covered by Ohio Public Employees Retirement System, have elected Social Security.

9. Risk Management

A. Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles;
- Law enforcement liability;
- Public Officials liability;
- Employment practices liability; and
- Errors and omissions.

B. Health Insurance

The Village provides health insurance to full-time employees through Tuscarawas County (County). The Village is invoiced their monthly premiums and the premiums are paid to the County. All risk transfers to the County.

10. Contingent Liabilities

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

11. Jointly Governed Organizations

Tuscarawas County Regional Planning Commission (Commission)

The Village participates in the 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 in 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.

**VILLAGE OF STRASBURG
TUSCARAWAS COUNTY**

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

11. Jointly Governed Organizations (Continued)

Tuscarawas County Tax Incentive Review Council (Council)

The 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.

12. Subsequent Events

On March 17, 2015, the Village awarded contracts for the Water Plant Generator Project to Gor-Con Construction, Wood Electric, and Western Branch Diesel, in the amounts of \$44,440, \$87,954, and \$71,782, respectively.

Through Ordinance O-04-2015, the Village awarded a contract to Newton Asphalt for the resurfacing and widening of Zeltman Avenue for \$192,534.

At the November 17, 2015 governing board meeting, the Village Council entered into an agreement to participate in the Tuscarawas County Healthcare Consortium.



Dave Yost • Auditor of State

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

Village of Strasburg
Tuscarawas County
358 Fifth St. SW
Strasburg, Ohio 44680

To the Village Council:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Village of Strasburg, Tuscarawas County, Ohio (the Village), as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements and have issued our report thereon dated February 16, 2016 wherein we noted the Village followed financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit. In addition, the Village's General and Special Revenue cash fund balances at January 1, 2013 were restated to properly reflect certain receipts and disbursements of 2012 and 2011.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings that we consider material weaknesses. We consider Findings 2014-001 through 2014-003 to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2014-002 through 2014-005.

Purpose of this Report

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

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

Dave Yost
Auditor of State
Columbus, Ohio

February 16, 2016

**VILLAGE OF STRASBURG
TUSCARAWAS COUNTY**

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

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

FINDING NUMBER 2014-001

Material Weakness

The Village should maintain an accounting system and accounting records sufficient to enable the Village to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements in accordance with the accounting basis permitted by the financial reporting provisions of Ohio Rev. Code § 117.38 and Ohio Admin. Code § 117-2-03(D).

As a result of audit procedures performed, errors were noted in the Village's financial statements that required audit adjustments and reclassifications as follows:

- The Village entered into a loan agreement with the Kansas State Bank of Manhattan. Kansas State Bank of Manhattan made disbursements on-behalf of the Village in the amount of \$59,758 in 2013. The Village did not report the Capital Outlay Disbursement or the corresponding Loan Proceeds in the General Fund;
- Opening Equity amounts were adjusted in 2013 for prior year audit adjustments that were deemed material to the 2013 Opening Equity. These adjustments included \$4,078 of 2011 homestead and rollback receipts of the Fire, Police, and Park Funds improperly posted to the General Fund; \$1,957 of 2011 motor vehicle license receipts that were improperly posted to the General Fund instead of the Street Fund; \$1,120 in Auditor and Treasurer fees that were improperly allocated to the Park Fund in 2012 instead of the General Fund; and \$1,223 in Police Levy Fund taxes from 2011 misposted to the Fire Fund.
- The Village received \$41,974 in Non-Operating Miscellaneous Revenue for the Sewer Plant Fund for closing retainage accounts that was inaccurately classified as Intergovernmental Revenue in 2013;
- Village policy requires that all sewer revenue must be allocated in the following manner: 95 percent to the Sewer Fund and five percent to the Sewer System Improvement Fund. However, one month 95 percent of the revenue was allocated to the Sewer System Improvement Fund and five percent to the Sewer Fund, resulting in a misallocation amount of \$52,658 during 2013;
- The Village overstated transfers in the amount of \$526,030 and \$317,616 in the General Fund for 2014 and 2013, respectively. This was a result of the Village failing to eliminate transfers made between the General and Income Tax Funds, which are combined for financial statement reporting at year-end;
- Governmental Accounting Standards Board (GASB) Statement No. 54 defines how fund balances are to be classified. GASB 54 paragraphs 10 through 12 require reporting funds whose balance includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Village's highest level of decision-making authority. Additionally, GASB paragraph 16 states that an appropriation of existing fund balance to eliminate a projected budgetary deficit in the subsequent year's budget in an amount no greater than the projected excess of expected expenditures over expected revenues satisfies the criteria to be classified as an assignment of fund balance. The following inaccurate reporting of fund balances was noted, prior to the effect of any audit adjustments:
 - The General Fund's year end cash balance was utilized to cover subsequent year appropriations exceeding estimated revenue at the end of 2014 and 2013 in the amounts of \$192,991 and \$147,725, respectively. However, these amounts were reported as Unassigned instead of Assigned; and

**VILLAGE OF STRASBURG
TUSCARAWAS COUNTY**

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

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

Material Weakness (Continued)

- The Capital Projects Funds source of revenue was derived from 15% of municipal income tax revenue per passage of Ordinance O-20-2006, which states that the purpose of the revenue is for capital improvements. Per approval of this ordinance, the Council has restrained the purpose of this fund balance. As such, the revenue has internal constraints and, consequently, the fund balances should be reported as Committed. However, the Village reported Assigned amounts of \$105,723 in 2014.

Sound financial reporting is the responsibility of the Village and is essential to ensure the information provider to the readers of the financial statements is complete and accurate.

To help ensure the Village's financial statements and notes to the financial statements are complete and accurate, the Village should adopt policies and procedures to identify and correct errors and omissions. In addition, the Village should review the financial statements and notes prior to submission for audit. The financial statements and accounting system have been adjusted accordingly.

FINDING NUMBER 2014-002

Noncompliance and Material Weakness

Ohio Rev. Code § 5705.10(C) requires that all revenue derived from a special levy shall be credited to a special fund for the purpose for which the levy was made.

In addition to property tax monies being assessed and collected for the levies, the State of Ohio reimbursed taxing sub divisions for homestead and rollback. These revenues were derived and allocated based upon property tax levies.

During 2014 and 2013, there were instances where intergovernmental revenue derived from levies was reported in incorrect funds. They included the following:

- The Village received \$2,260 in Homestead and Rollback revenue for the Police Levy Fund that was inaccurately reported as Miscellaneous Revenue in the Park Fund in 2013; and
- The Village received \$7,152, \$321, \$2,562 and \$1,334 in Homestead & Rollback Revenue for the General Fund, Park Levy Fund, Police Levy Fund and Fire Levy Fund, respectively, that was inaccurately reported as Gasoline Tax Revenue in the Street Fund (\$10,516) and the State Highway Fund (\$853) in 2014.

Inaccurate reporting of revenue could lead to money being utilized for unallowable disbursements that do not correspond with the legally required intent of such money. Additionally, sound financial reporting is the responsibility of the Village and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. The financial statements and accounting system have been adjusted accordingly.

To help ensure the Village's financial statements and notes to the financial statements are complete and accurate, the Village should adopt policies and procedures to identify and correct errors and omissions.

**VILLAGE OF STRASBURG
TUSCARAWAS COUNTY**

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

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

Noncompliance and Material Weakness

Ohio Rev. Code § 5705.10(I) states that money paid into any fund shall be used only for the purposes for which such fund is established.

The Village made disbursements of \$6,070 in 2013 for the purpose of sweeping the Village streets. However, this expenditure was made from the Capital Improvement Fund when it should have been made from the Street Fund causing misstatements of expenditures between funds.

Sound financial reporting is the responsibility of the Village and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. The financial statements and accounting system have been adjusted accordingly.

The Fiscal Officer should be diligent in assuring funds are properly posted to the correct fund in accordance with the Ohio Village Officer's Handbook coding system and the Ohio Rev. Code.

FINDING NUMBER 2014-004

Noncompliance

Ohio Rev. Code § 5705.40 states, in part, that any appropriation measure may be amended or supplemented if the entity complies with the same laws used in making the original appropriation. However, no appropriation may be reduced below an amount sufficient to cover all un-liquidated and outstanding contracts or obligations against them.

Village Council provided blanket approval for the Village Fiscal Officer to amend appropriations for 2014 for the General, Income Tax, Parks, Fire Levy and Capital Improvement Funds. Additionally, this approval was not passed in the form of an ordinance. As a result, this appropriation amendment was not valid and the appropriation amounts posted to the accounting system exceeded the total amount of approved appropriations for the General, Income Tax, Parks, Fire Levy and Capital Improvement Funds by \$252,187, \$220,000, \$36,400, \$31,259, and \$132,500, respectively.

The Village Fiscal Officer should make adjustments to the appropriations only after Council's approval in the same method as was used in the making of the original appropriation. The Village should implement procedures to ensure budgetary activity approved by the Council is reconciled to the Village's accounting system. When accurate amounts are reflected on the Village's budgetary reports, the Council will be able to better monitor the Village's finances.

**VILLAGE OF STRASBURG
TUSCARAWAS COUNTY**

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2014-005

Noncompliance

Ohio Rev. Code § 5705.41(B) states, in part, that no subdivision or taxing unit shall make any expenditure of money unless it has been appropriated.

Total disbursements and outstanding commitments exceeded appropriations in the General Fund, Income Tax Fund, Parks Fund, Fire Levy Fund and Capital Improvement Fund in 2014 by \$56,636, \$207,905, \$3,205, \$27,438 and \$131,943, respectively.

As a result, there was an increased risk of the Village incurring deficit cash balances.

Village Council should approve supplemental appropriations so that disbursements are within the Village's approved appropriations (budgeted disbursements). However, the Village should only approve supplemental appropriations when supplemental appropriations and previously approved appropriations are within estimated resources on the Amended Certificate of Estimated Resources (or if a new Amended Certificate can be submitted due to an increased expected revenue). When disbursements are expected to exceed appropriations and additional appropriations cannot be approved as the new total would exceed estimated resources, the Village should review their spending plan to determine the necessity of purchases and where cuts can be made. This will help ensure the Village does not expend excessive amounts and allow the Village to maintain surplus cash balances.

Officials' Response: We did not receive a response from Officials to the findings reported above.

**VILLAGE OF STRASBURG
TUSCARAWAS COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2012-001	Ohio Rev. Code § 5705.10(H) for improperly purchasing a fire truck, in part, from the Sewer System Improvement Fund.	Yes	Corrected

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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 1, 2016**