



**VILLAGE OF SPARTA
MORROW COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

VILLAGE OF SPARTA
MORROW COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

Village of Sparta
Morrow County
PO Box 8
Sparta, OH 43350

To the Village Council:

We have audited the accompanying financial statements of the Village of Sparta, Morrow County, Ohio, (the Village) as of and for the years ended December 31, 2000 and December 31, 1999. 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 generally accepted auditing standards 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 audit 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 audit provides 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 of the Village as of December 31, 2000 and December 31, 1999, 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 April 9, 2001 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 audit.

This report is intended solely for the information and use of management, the 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.

JIM PETRO
Auditor of State

April 9, 2001

**VILLAGE OF SPARTA
MORROW COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
DECEMBER 31, 2000**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$5,681	\$1,999	\$7,680
Intergovernmental Receipts	15,397	3,826	19,223
Earnings on Investments	726	0	726
Miscellaneous	4,769	0	4,769
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	26,573	5,825	32,398
Cash Disbursements:			
Current:			
Security of Persons and Property	1,915	0	1,915
Transportation	0	9,371	9,371
General Government	18,869	0	18,869
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	20,784	9,371	30,155
Total Cash Receipts Over/(Under) Cash Disbursements	<hr/>	<hr/>	<hr/>
	5,789	(3,546)	2,243
Fund Cash Balances January 1, 2000	<hr/>	<hr/>	<hr/>
	30,417	12,976	43,393
Fund Cash Balances, December 31, 2000	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	\$36,206	\$9,430	\$45,636

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

**VILLAGE OF SPARTA
MORROW COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCE
PROPRIETARY FUND TYPE
DECEMBER 31, 2000**

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
Operating Cash Receipts:	
Charges for Services	\$15,968
Operating Cash Disbursements:	
Contractual Services	173,114
Supplies and Materials	<u>5,692</u>
Total Operating Cash Disbursements	<u>178,806</u>
Operating Income/(Loss)	<u>(162,838)</u>
Non-Operating Cash Receipts:	
Intergovernmental Receipts	172,786
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	9,948
Fund Cash Balance, January 1, 2000	<u>0</u>
Fund Cash Balance, December 31, 2000	<u><u>\$9,948</u></u>

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

**VILLAGE OF SPARTA
MORROW COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
DECEMBER 31, 1999**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$5,440	\$0	\$5,440
Intergovernmental Receipts	15,053	5,241	20,294
Earnings on Investments	571	0	571
Miscellaneous	295	0	295
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	21,359	5,241	26,600
Cash Disbursements:			
Current:			
Transportation	0	5,065	5,065
General Government	14,752	0	14,752
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	14,752	5,065	19,817
Total Cash Receipts Over/(Under) Cash Disbursements	<hr/>	<hr/>	<hr/>
	6,607	176	6,783
Fund Cash Balances January 1, 1999	<hr/>	<hr/>	<hr/>
	23,810	12,800	36,610
Fund Cash Balances, December 31, 1999	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	\$30,417	\$12,976	\$43,393

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

**VILLAGE OF SPARTA
MORROW COUNTY**

**COMBINING STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
SPECIAL REVENUE FUND TYPES
DECEMBER 31, 1999**

	<u>Special Revenue Fund Types</u>		Totals (Memorandum Only)
	<u>Street Fund</u>	<u>State Highway Fund</u>	
Cash Receipts:			
Intergovernmental Receipts	1,202	4,039	5,241
Total Cash Receipts	<u>1,202</u>	<u>4,039</u>	<u>5,241</u>
Cash Disbursements:			
Current:			
Transportation	5,065	0	5,065
Total Disbursements	<u>5,065</u>	<u>0</u>	<u>5,065</u>
Total Receipts Over/(Under) Disbursements	<u>(3,863)</u>	<u>4,039</u>	<u>176</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(3,863)	4,039	176
Fund Cash Balances January 1, 1999	<u>12,310</u>	<u>0</u>	<u>12,310</u>
Fund Cash Balances, December 31, 1999	<u>\$8,447</u>	<u>\$4,039</u>	<u>\$12,486</u>

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

**VILLAGE OF SPARTA
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Sparta, Morrow 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 general governmental services, and security services. The Village operates under its own Charter. The Charter, which provides for a mayor-council form of government, was adopted in 1869.

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 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

The Village maintains an interest earning checking account.

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.

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.

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

**VILLAGE OF SPARTA
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

3. Enterprise Fund

This fund accounts 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 Fund:

Sewer Construction Fund - This fund receives charges for services from residents and proceeds from OWDA to cover the cost of a sewer development project.

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 Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. 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 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 canceled, and reappropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law.

A summary of 2000 and 1999 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

**VILLAGE OF SPARTA
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

	<u>2000</u>	<u>1999</u>
Demand Deposits	\$ 55,584	\$ 43,393

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2000 and December 31, 1999 follows:

2000 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 0	\$ 26,573	\$ 26,573
Special Revenue	0	5,825	5,825
Enterprise	285,000	188,754	(96,246)
Total	\$ 285,000	\$ 221,152	\$ (63,848)

2000 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 35,650	\$ 20,784	\$ 14,866
Special Revenue	12,400	9,371	3,029
Enterprise	285,000	178,806	106,194
Total	\$ 333,050	\$ 208,961	\$ 124,089

1999 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 0	\$ 21,359	\$ 21,359
Special Revenue	0	5,241	5,241
Total	\$ 0	\$ 26,600	\$ 26,600

**VILLAGE OF SPARTA
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

1999 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 0	\$ 14,752	\$ (14,752)
Special Revenue	0	5,065	(5,065)
Total	<u>\$ 0</u>	<u>\$ 19,817</u>	<u>\$ (19,817)</u>

The Village did not properly adopt a tax budget, establish resources, pass appropriations or encumber expenditures in 1999 and/or 2000.

4. 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 payment, the first half is due December 31. The second half payment is due the following June 20.

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.

5. DEBT

Debt outstanding at December 31, 2000 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan	<u>\$ 172,786</u>	6%
Total	<u>\$ 172,786</u>	

**VILLAGE OF SPARTA
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

5. DEBT (Continued)

The Ohio Water Development Authority (OWDA) loan relates to the planning of a sewer development project. The Village was in default of the original loan agreement due January 1, 1999 in the amount of \$71,397. On February 10, 2000 the Village negotiated an agreement with OWDA to roll the pre-existing loan into a new loan to cover the remaining fees associated with the planning stage of the sewer construction. Therefore, the pre-existing loan was paid off February 10, 2000. The new loan including principal plus interest is due January 1, 2005. The Village is currently seeking funding to aid in the construction of the sewer development project. The Village has established a flat fee charge for all Village residents to aid in the loan repayment.

6. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

- General liability and casualty
- Public official's liability

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REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Village of Sparta
Morrow County
P.O. Box 8
Sparta, OH 43350

To the Village Council:

We have audited the accompanying financial statements of the Village of Sparta, Morrow County, Ohio (the Village), as of and for the years ended December 31, 2000 and December 31, 1999, and have issued our report thereon date April 9, 2001. We conducted our audit in accordance with generally accepted auditing standards 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 audit and, accordingly, we do not express such an opinion. The results of our tests disclosed three instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2000-30659-001, 2000-30659-002, and 2000-30659-003. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated April 9, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, 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 certain 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 2000-30659-002.

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 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 fo the Village in a separate letter dated April 9, 2001.

This report is intended for the information and use of management and the Village Council and is not intended to be and should not be used by anyone other than these specified parties.

JIM PETRO
Auditor of State

April 9, 2001

VILLAGE OF SPARTA
MORROW COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2000 AND 1999

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

FINDING NUMBER 2000-30659-001

Noncompliance Citation

Ohio Rev. Code Section 5705.28 states that on or before July 15, in each year, the taxing authority of each subdivision or other taxing unit is required to adopt a tax budget for the next succeeding fiscal year.

Adoption of the tax budget was not completed until September 14, 1999 for fiscal year 2000.

The Council should ensure that the tax budget is adopted on or before the specified date in the Ohio Revised Code.

FINDING NUMBER 2000-30659-002

Noncompliance Citation/Reportable Condition

Ohio Rev. Code Section 5705.38 states on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until April 1.

Passage of a permanent appropriation measure was not completed in 1999 and permanent appropriations were not passed until October for fiscal year 2000. As a result all 1999 expenditures and all 2000 expenditures incurred prior to October exceeded appropriations in all funds contrary to Ohio Rev. Code Section 5705.41(B). The Village is unable to exercise sound budgetary and fiscal control without legally adopting a permanent appropriations measure.

If the Village is not going to pass an annual appropriation measure at the beginning of the year, they should pass a temporary appropriation measure. In addition the Village should pass a permanent appropriation measure by April 1 and then monitor expenditures as compared to appropriations to help ensure fiscal stability.

FINDING NUMBER 2000-30659-003

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D) states in part that no subdivision shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of fiscal officer of the subdivision. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

Prior certification of funds by the Clerk-Treasurer was not obtained for 83% of the expenditures tested in 2000 and 1999.

**VILLAGE OF SPARTA
MORROW COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2000 AND 1999
(Continued)**

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

FINDING NUMBER 2000-30659-003 (Continued)

The Clerk-Treasurer should certify funds before each payment is made through the issuance of a regular, blanket or super blanket purchase order. For blanket certificates, one blanket certificate may be issued for each line item appropriation and must not exceed \$5,000. For super blanket certificates, more than one certificate can be outstanding per line item appropriation and the certificate must exceed \$5,000. These blanket certificates should be canceled at the end of each fiscal year.

Also, as an alternative, the Clerk-Treasurer can issue then and now certificates for expenses up to \$1,000. Then and now certificates allow the Clerk-Treasurer to certify that both at the time the expenditure was made and at the time the certification is completed, sufficient funds are available. These certificates can be certified by the Clerk-Treasurer without subsequent authorization from the Village Council. However, then and now certificates issued by the Clerk-Treasurer over \$1,000 must be authorized by the Village Council within thirty days after payment.



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VILLAGE OF SPARTA

MORROW 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 8, 2001**