



**Mary Taylor, CPA**  
Auditor of State

**Village of Sparta**  
Morrow County

**Fiscal Emergency Termination**

**Local Government Services**

Village of Sparta, Morrow County

Fiscal Emergency Termination

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    For the Years Ending December 31, 2010, through December 31, 2014



# Mary Taylor, CPA

Auditor of State

## CERTIFICATION

Pursuant to a request sent to the Auditor of State by the Financial Planning and Supervision Commission of the Village of Sparta, the Auditor of State performed an analysis of the Village of Sparta to determine whether the Commission and its functions under Chapter 118 of the Ohio Revised Code should be terminated. Based on the analysis, the Auditor of State certifies that the Village of Sparta no longer meets the fiscal emergency conditions set forth in section 118.27(A)(1), (2), (3), and (4) of the Revised Code, that the objectives of the financial recovery plan are being met, that an effective financial accounting and reporting system in accordance with section 118.10 of the Revised Code is in the process of being implemented and it is reasonably expected that this implementation will be completed within two years, and that Management has prepared a financial forecast for a five-year period in accordance with the standards issued by the Auditor of State and an opinion has been rendered by the Auditor of State that the financial forecast is considered to be nonadverse. Therefore, the existence of the Financial Planning and Supervision Commission of the Village of Sparta and its role in the operation of the Village of Sparta is terminated as of May 25, 2010.

Accordingly, on behalf of the Auditor of State, this report is hereby submitted to Bertha Neeld, Mayor of the Village of Sparta; Brad Cooperider, President Pro-Tempore of Village Council; Ted Strickland, Governor; J. Pari Sabety, Director of the Office of Budget and Management; Kevin Boyce, Treasurer of State; Jennifer Brunner, Secretary of State; and Mary Holtrey, Morrow County Auditor.

At the time of termination of the Commission, an effective financial accounting and reporting system has not been fully implemented. Section 118.27(A)(2) of the Revised Code requires the Auditor of State to monitor the progress of implementation and exercise authority under this section and Chapter 117 of the Revised Code to secure full implementation within two years.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

May 25, 2010

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Village of Sparta, Morrow County

Report on the Termination of the Village of Sparta  
Financial Planning and Supervision Commission

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**Report on the Termination of the Sparta Financial Planning and Supervision Commission**

At the request of the Financial Planning and Supervision Commission of the Village of Sparta (the Commission), Morrow County, Ohio, as provided by section 118.27(B) of the Ohio Revised Code, the Auditor of State has performed an analysis in order to determine whether the Commission and its functions under Chapter 118 of the Revised Code should be terminated.

Guidelines for performing such an analysis are set forth in section 118.27(A) of the Revised Code, which states that:

“A Financial Planning and Supervision Commission with respect to a municipality...and its functions under this chapter shall continue in existence until such time as a determination is made pursuant to division (B) of this section that the municipality...has done all of the following: (1) planned, and is in the process of good faith implementation of, an effective financial accounting and reporting system in accordance with section 118.10 of the Revised Code, and it is reasonably expected that such implementation will be completed within two years; (2) corrected and eliminated or has planned and is in the process of good faith implementation of correcting and eliminating all the fiscal emergency conditions determined pursuant to section 118.04 of the Revised Code, and no new emergency conditions have occurred...; (3) met the objectives of the financial plan described in section 118.06 of the Revised Code; and (4) the municipal corporation...prepares a financial forecast for a five-year period in accordance with the standards issued by the Auditor of State...”.

Results of our work under section 118.27(A) of the Revised Code are as follows:

Pages four through seven of the report indicate that the Village has effectively implemented or is in the process of implementing corrections to its financial accounting and reporting system in accordance with section 118.10(A) of the Revised Code.

All fiscal emergency conditions have been corrected and eliminated and no new fiscal emergency conditions exist under section 118.04 of the Revised Code. This analysis can be found beginning on page seven.

We have reviewed the objectives of the financial plan and determined that the Village has met the objectives in accordance with section 118.06 of the Revised Code. Specific conclusions can be found on page eleven.

We examined and issued a non-adverse report on the five-year forecast prepared by the Village. The forecast and our report can be found in Appendix A.

Based on this analysis, the Auditor of State’s Office has determined that the Financial Planning and Supervision Commission and its functions may be terminated. The Village has not completed its implementation of an effective financial accounting and reporting system; therefore, the Auditor of State will monitor the Village to ensure full implementation of the remaining items within two years.

It is understood that this report’s determination is for the use of the Financial Planning and Supervision Commission of the Village of Sparta, the Auditor of State of Ohio, the Governor of Ohio, the Mayor of the Village of Sparta, and others as designated by the Auditor of State, and is not to be used for any other purpose. Our procedures and findings follow.

Village of Sparta, Morrow County

Report on the Termination of the Village of Sparta  
Financial Planning and Supervision Commission

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**Section 1 - Financial Accounting and Reporting System**

When a Village is placed in fiscal emergency, the Auditor of State is required to report on the effectiveness of the Village's financial accounting and reporting system. The Auditor of State, in accordance with section 118.10(A) of the Revised Code assessed the methods, accuracy, and legality of the accounts, records, files, and reports of the Village of Sparta (the Village) and issued a Report on Accounting Methods, dated December 5, 2008. The report identified areas where the Village's financial accounting and reporting system were not in compliance with section 117.43 of the Revised Code and the requirements of the Auditor of State.

The criteria for termination of the Commission include a determination by the Auditor of State that an effective financial accounting and reporting system has been implemented, or is in the process of implementation, and is expected to be completed within two years. This determination is based on management providing a summary of the actions taken to address the issues identified in the Report on Accounting Methods. We confirmed whether the actions taken by management were sufficient to correct these issues identified in the Report on Accounting Methods. A summary of each area of noncompliance identified in the Report on Accounting Methods and the status of each corrective action is presented below:

**Purchasing Process**

Auditor of State Comment from Report on Accounting Methods

The Ohio Administrative Code requires purchase orders to be used to initiate purchase commitments and to encumber funds against the applicable appropriation accounts. Purchases should be certified indicating sufficient unencumbered appropriations exist prior to the purchase of goods or services.

Implemented

Purchase orders are used for all purchase commitments and are certified indicating sufficient unencumbered appropriations exist prior to the purchase.

Auditor of State Comment from Report on Accounting Methods

There is no preapproval process in place to initiate a purchase. Documented approvals do not occur until the time the invoice needs to be paid at which time the Mayor and Village Council sign the purchase order. All purchases should be approved by the Mayor and certified by the Clerk Treasurer prior to the order for goods or services being placed.

Implemented

Purchases are approved before the purchase order is generated. Proposed purchases are discussed and approved by the Mayor and the Village Council at Council meetings.

Auditor of State Comment from Report on Accounting Methods

The Village does not require new vendors to submit information before a purchase order is completed. The Village should not issue purchase orders to a vendor until all appropriate information about the vendor is received, including an IRS Form W-9.

Village of Sparta, Morrow County

Report on the Termination of the Village of Sparta  
Financial Planning and Supervision Commission

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**Section 1 - Financial Accounting and Reporting System** (continued)

Implemented

Upon receipt of a purchase order request with a new vendor, the Clerk Treasurer sends a W-9 form to obtain the required information. Purchase orders are not issued until the W-9 is returned.

Auditor of State Comment from Report on Accounting Methods

The Village does not use the Auditor of State Findings for Recovery Database when entering into contracts. Section 9.24 of the Revised Code prohibits any State agency or political subdivision from awarding a contract for goods, services, or construction, paid for in whole or in part with State funds, to any person against whom a finding for recovery has been issued by the Auditor of State if that finding is unresolved.

Implemented

Management is aware of the requirement that contracts over \$25,000 will include verification. To date, the Village has not entered into any contracts that require verification of any unresolved finding for recovery by use of the Auditor of State Findings for Recovery Database.

**Cash Disbursements**

Auditor of State Comment from Report on Accounting Methods

The Clerk Treasurer is currently signing checks at the time they are printed. This is prior to review and signature by the Mayor. The Clerk Treasurer should sign the check after the Mayor has reviewed and signed approving payment.

Implemented

The Clerk Treasurer no longer signs the checks at the time they are printed. The Clerk Treasurer signs the checks after the Mayor has reviewed and signed approving payment.

Auditor of State Comment from Report on Accounting Methods

Blank checks are kept in a locked filing cabinet; however, the Sewer Operator also has access to the filing cabinet. All checks must be maintained in a secure location with access limited to the Clerk Treasurer.

Implemented

The Village keeps blank checks in a locked filing cabinet. Access is limited to the Clerk Treasurer.

Report on the Termination of the Village of Sparta  
Financial Planning and Supervision Commission

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**Section 1 - Financial Accounting and Reporting System** (continued)

**Inventory of Capital Assets**

Auditor of State Comment from Report on Accounting Methods

The Village does not maintain an inventory of capital assets. Without an inventory of capital assets, the Village is unable to determine if there is adequate insurance coverage, whether assets have been lost or stolen, whether idle assets exist that can be sold to generate additional revenue, and whether assets are used in the most efficient manner. The Village should adopt policies and procedures to account for capital assets and develop an inventory of all capital assets.

Not Implemented

The Village has not adopted policies and procedures to account for capital assets and has not developed an inventory of capital assets.

**Cash Management and Investing**

Auditor of State Comment from Report on Accounting Methods

The Clerk Treasurer does not attend annual training provided by the State Treasurer's Office for investments. The Clerk Treasurer is exempt from this training if the Village has no investments and the Clerk Treasurer files an exemption form. The form has not been filed.

In Process

The Clerk Treasurer filed the exemption form with the State Treasurer's Office for 2008 but not for 2009.

**Financial Reporting**

Auditor of State Comment from Report on Accounting Methods

Village Council has not defined, by ordinance, the type or frequency of financial information to be reported to Village Council.

Not Implemented

The Village has not defined, by ordinance, the type or frequency of financial information to be reported to Village Council. The Clerk Treasurer is providing Village Council with a fund status report, revenue status report, appropriation status report, and aging report for sewer accounts at the monthly council meetings.



Village of Sparta, Morrow County

Report on the Termination of the Village of Sparta  
Financial Planning and Supervision Commission

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**Section 1 - Financial Accounting and Reporting System** (continued)

**Recording Official Proceedings**

Auditor of State Comment from Report on Accounting Methods

The Village has not established a records commission as required by section 149.39 of the Revised Code.

Not Implemented

The Village has not established a records commission as required by section 149.39 of the Revised Code.

Auditor of State Comment from Report on Accounting Methods

The Village has not established rules for the retention and disposal of records as required by section 149.39 of the Revised Code.

Not Implemented

The Village has not established rules for the retention and disposal of records as required by section 149.39 of the Revised Code.

**Audit Report and Management Letters**

The Village Council and Officials receive a compliance and management letter at the conclusion of each bi-annual audit. The letters that accompanied the December 31, 2007, and 2008 audit included a noncompliance issue and several recommendations. The noncompliance issue included not depositing money in the time frame prescribed by the Ohio Revised Code. The recommendations provided to the Village included the adoption of a credit card policy, utility collection policy, and establishing an audit committee. As of the date of this report, the Village is in the process of addressing these issues.

**Section 2 - Correction of Fiscal Emergency Conditions and Current Existence of Fiscal Emergency Conditions**

Under section 118.27(A)(2) of the Ohio Revised Code, the Village shall have corrected or eliminated or have planned and be in the process of good faith implementation of actions to correct and eliminate all of the fiscal emergency conditions that existed when declared in fiscal emergency and that no new fiscal emergency conditions have occurred in order to be terminated from fiscal emergency. Our analysis of the six fiscal emergency conditions described in section 118 of the Revised Code, is presented below:

**Condition One - Default on Any Debt Obligation**

Section 118.03(A)(1) of the Revised Code defines a fiscal emergency condition as:

The existence, at the time of the determination by the Auditor of State under section 118.04 of the Revised Code, of a default on any debt obligation for more than thirty days.

Village of Sparta, Morrow County

Report on the Termination of the Village of Sparta  
Financial Planning and Supervision Commission

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**Section 2 - Correction of Fiscal Emergency Conditions and Current Existence of Fiscal Emergency Conditions** (continued)

A summary of the Village's outstanding debt as of December 31, 2009, is as follows:

<u>Debt Issue</u>	<u>Issue Date</u>	<u>Interest Rate</u>	<u>Issue Amount</u>
<u>Loans Payable</u>			
OWDA Wastewater Treatment System	1/31/08	1.00%	\$790,727

We reviewed the outstanding indebtedness as of December 31, 2009. The Village has \$733,491 in outstanding debt at December 31, 2009, and has made all debt payments due as of that date.

Conclusion: A fiscal emergency condition does not exist under section 118.03(A)(1) of the Revised Code as of December 31, 2009. The Village has not defaulted on any debt obligations.

**Condition Two - Payment of All Payroll**

Section 118.03(A)(2) of the Revised Code defines a fiscal emergency condition as:

The existence, at the time of the determination by the Auditor of State under section 118.04 of the Revised Code, of a failure for lack of cash in the funds to make payment of all payroll to employees of the municipal corporation in the amounts and at the times required by laws, ordinances, resolutions, or agreements, which failure of payment has continued:

- a. For more than thirty days after such time for payment, or
- b. Beyond a period of extension, or beyond the expiration of ninety days from the original time for payment, whichever first occurs, if the time for payment has been extended for more than thirty days by the written consent of at least two-thirds of the employees affected by such failure to pay, acting individually or by their duly authorized representatives.

We reviewed the payroll records of the Village as of December 31, 2009. We reviewed council minutes, ordinances, resolutions, and had discussions with the Clerk Treasurer to determine the employees of the Village, pay rates, frequency of payroll, and whether any extensions for the payment of payroll existed. We reviewed the cash journal and cancelled checks to determine whether Village employees had been paid within the time specified by sections 118.03(A)(2)(a) and (b) of the Revised Code. We determined that adequate cash was in the bank account and there was sufficient fund balances to cover payroll.

Conclusion: A fiscal emergency condition does not exist under section 118.03(A)(2) of the Revised Code as of December 31, 2009. All employees had been paid in amounts and at the times required by ordinance.

Village of Sparta, Morrow County

Report on the Termination of the Village of Sparta  
Financial Planning and Supervision Commission

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**Section 2 - Correction of Fiscal Emergency Conditions and Current Existence of Fiscal Emergency Conditions** (continued)

**Condition Three - Increase in Minimum Tax Levy**

Section 118.03(A)(3) of the Revised Code defines a fiscal emergency condition as:

An increase, by action of the county budget commission pursuant to division (D) of section 5705.31 of the Revised Code, in the minimum levy of the municipal corporation for the current or next fiscal year which results in a reduction in the minimum levies for one or more other subdivisions or taxing districts.

We confirmed with the Morrow County Budget Commission whether there had been an increase, pursuant to division (D) of section 5705.31 of the Revised Code, in the minimum levy of the Village for 2008 or 2009, which resulted in a reduction in the minimum levies for one or more other subdivisions or taxing districts. The confirmation received from the Morrow County Budget Commission indicated that the Commission had not taken any action for tax year 2008 or 2009 to increase the inside millage of the Village.

Conclusion: A fiscal emergency condition does not exist under section 118.03(A)(3) of the Revised Code as of December 31, 2009.

**Condition Four - Past Due Accounts Payable from the General Fund and all Funds**

Section 118.03(A)(4) of the Revised Code defines a fiscal emergency condition as:

The existence of a condition in which all accounts that, at the end of its preceding fiscal year, were due and payable from the general fund and that had either been due and payable at least thirty days at the end of the fiscal year or to which a penalty has been added for failure to pay by the end of the fiscal year, including, but not limited to, final judgments, fringe benefits payments due and payable, and amounts due and payable to persons and other governmental entities and including any interest and penalties thereon, less the year end balance in the general fund, exceeded one-sixth of the general fund budget for the year, or in which all accounts that, at the end of its preceding fiscal year, were due and payable from all funds of the municipal corporation and that either had been due and payable for at least thirty days at the end of the fiscal year or to which a penalty has been added for failure to pay by the end of the fiscal year, less the year end balance in the general fund and in respective special funds lawfully available to pay such accounts, exceeded one-sixth of the available revenues during the preceding fiscal year, excluding nonrecurring receipts, of the general fund and of all special funds from which such accounts lawfully are payable.

We prepared a schedule of accounts payable as of December 31, 2009, for all funds that were due and payable for at least thirty days, or to which a penalty had been added for failure to pay as of December 31, 2009, including, but not limited to, final judgments, fringe benefits payments due and payable, and amounts due and payable to persons and other governmental entities including any interest and penalties. There were no payables over thirty days past due in any fund.

Conclusion: A fiscal emergency condition does not exist under section 118.03(A)(4) of the Revised Code as of December 31, 2009. There were no payables over thirty days past due.

Village of Sparta, Morrow County

Report on the Termination of the Village of Sparta  
Financial Planning and Supervision Commission

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**Section 2 - Correction of Fiscal Emergency Conditions and Current Existence of Fiscal Emergency Conditions** (continued)

**Condition Five - Deficit Fund Balances**

Section 118.03(A)(5) of the Revised Code defines a fiscal emergency condition as:

The existence of a condition in which the aggregate of deficit amounts of all deficit funds at the end of its preceding fiscal year, less the total of any year end balance in the general fund and in any special fund that may be transferred as provided in section 5705.14 of the Revised Code to meet such deficit, exceeded one-sixth of the total of the general fund budget for that year and the receipts to those deficit funds during that year other than from transfers from the general fund.

We computed the adjusted aggregate sum of all deficit funds at December 31, 2009, by subtracting all accounts payable and encumbrances from the year end cash fund balance of each fund. No further calculations were necessary because there were no deficit fund balances.

Conclusion: A fiscal emergency condition does not exist under section 118.03(A)(5) of the Revised Code. There were no deficit fund balances at December 31, 2009.

**Condition Six - Treasury Balances**

Section 118.03(A)(6) of the Revised Code defines a fiscal emergency condition as:

The existence of a condition in which, at the end of the preceding fiscal year, moneys and marketable investments in or held for the unsegregated treasury of the municipal corporation, minus outstanding checks and warrants, were less in amount than the aggregate of the positive balances of the general fund and those special funds the purposes of which the unsegregated treasury is held to meet, and such deficiency exceeded one-sixth of the total amount received into the unsegregated treasury during the preceding fiscal year.

We verified the Village's reconciled bank balance to its statement of cash position for all funds as of December 31, 2009, which included subtracting reconciling factors to arrive at the treasury balance. We then determined the aggregate sum of all positive fund cash balances, the purpose of which the unsegregated treasury is held to meet, to determine the treasury deficit. No further calculations were necessary because the treasury balance equaled the sum of all cash balances.

Schedule I

Treasury Balance  
Ohio Revised Code Section 118.03(A)(6)  
As of December 31, 2009

	Amounts at December 31, 2009
Bank Cash Balance	
First Knox Bank	\$117,426
Less Reconciling Factors for	
Outstanding Checks	(16,769)
Total Treasury Balance	<u>100,657</u>

(continued)

Village of Sparta, Morrow County

Report on the Termination of the Village of Sparta  
Financial Planning and Supervision Commission

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**Section 2 - Correction of Fiscal Emergency Conditions and Current Existence of Fiscal Emergency Conditions** (continued)

Schedule I

Treasury Balance  
Ohio Revised Code Section 118.03(A)(6)  
As of December 31, 2009  
(continued)

	<u>Amounts at December 31, 2009</u>
Positive Fund Balances	
General	\$11,677
Street Maintenance	14,952
State Highway	5,336
State Permissive	4,528
Sewer Operating	50,163
Sewer Maintenance	14,001
Total Positive Fund Balances	<u>100,657</u>
Treasury Deficiency	<u>\$0</u>

Conclusion: A fiscal emergency condition does not exist under section 118.03(A)(6) of the Revised Code as of December 31, 2009. The treasury balance less the positive fund cash balances as of December 31, 2009, did not exceed one-sixth of the treasury receipts for the year.

**Section 3 - Financial Plan Objectives**

We obtained a copy of the financial plan of the Village and determined whether the objectives of the plan have been met. Those objectives identified in the financial plan include the following:

- 1) Eliminate the fiscal emergency conditions which were determined by the Auditor of State, pursuant to section 118.04 of the Revised Code;
- 2) Balance the budgets, avoid future deficits in any fund, and maintain current payments of all accounts;
- 3) Develop an effective financial accounting and reporting system; and
- 4) Prepare a financial forecast for a five-year period in accordance with the standards issued by the Auditor of State.

All objectives of the financial plan have been met.

Village of Sparta, Morrow County

Report on the Termination of the Village of Sparta  
Financial Planning and Supervision Commission

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**Section 4 - Financial Forecast**

Financial forecasting is an important management tool to assist the Village in making sound financial decisions for avoiding a fiscal crisis in the future. A five-year forecast is required under section 118.27(A)(4) of the Revised Code. After examining the financial forecast, the Auditor of State rendered a non-adverse report. The financial forecast is contained in Appendix A.

**DISCLAIMER**

Because the preceding procedures were not sufficient to constitute an audit made in accordance with generally accepted auditing standards, we do not express an opinion on any of the specific accounts and fund balances referred to above. Had we performed additional procedures or had we made an audit of the financial statements in accordance with generally accepted auditing standards, other matters might have come to our attention that would have been reported herein.

**APPENDIX A**

**Village of Sparta  
Morrow County**

**Financial Forecast**

**For the Years Ending December 31, 2010, through December 31, 2014**

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Village of Sparta, Morrow County

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Mary Taylor, CPA  
Auditor of State

Village Council  
Village of Sparta  
P.O. Box 8  
Sparta, Ohio 43350

Based upon the requirement set forth in section 118.27(A)(4) of the Ohio Revised Code, the Local Government Services Section of the Auditor of State's Office has examined the accompanying forecasted statements of revenues, expenditures/expenses, and changes in fund balance of the various funds of the Village of Sparta, for the five years ending December 31, 2014. These statements are presented on the budget basis of accounting used by the Village of Sparta rather than on generally accepted accounting principles. The Village of Sparta's management is responsible for the forecast. Our responsibility is to determine whether the Village has met the criteria that allows for the fiscal emergency to be terminated.

Based on our examination of the accompanying forecast, there is nothing in the forecast nor has anything come to our attention that indicates the fiscal emergency should not be terminated. However, some assumptions inevitably will not materialize and unanticipated events and circumstances may occur; therefore, the actual results of operations during the forecast period will vary from the forecast and the variations may be material.

This report is intended solely for the use of the Village of Sparta and the Financial Planning and Supervision Commission of Sparta and should not be used for any other purpose. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

May 25, 2010

Local Government Services Section  
88 E. Broad St. / Sixth Floor / Columbus, OH 43215-3506  
Telephone: (614) 466-4717 (800) 345-2519 Fax: (614) 728-8027  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

Village of Sparta, Morrow County  
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget Basis  
For the Years Ended December 31, 2007, through 2009, Actual  
and Ending December 31, 2010, through 2014, Forecasted

	General Fund			
	2007	2008	2009	2010
	Actual	Actual	Actual	Forecasted
<u>Revenues</u>				
Property Taxes	\$8,100	\$7,700	\$8,000	\$8,200
Intergovernmental	17,300	14,900	12,700	12,700
Special Assessments	0	0	0	0
Licenses and Permits	300	600	700	700
Interest	0	0	40	40
Other Revenues	32,000	1,600	1,000	600
<b>Total Revenues</b>	<b>57,700</b>	<b>24,800</b>	<b>22,440</b>	<b>22,240</b>
<u>Expenditures</u>				
Security of Persons and Property				
Street Lighting				
Contractual Services	2,200	2,300	2,500	2,700
Other				
Contractual Services	300	200	200	300
<b>Total Security of Persons and Property</b>	<b>2,500</b>	<b>2,500</b>	<b>2,700</b>	<b>3,000</b>
General Government				
Mayor				
Personal Services	1,400	100	1,100	1,200
Fringe Benefits	500	100	100	100
<b>Total Mayor</b>	<b>1,900</b>	<b>200</b>	<b>1,200</b>	<b>1,300</b>
Council				
Personal Services	3,100	2,600	2,800	3,300
Fringe Benefits	1,300	500	200	300
<b>Total Council</b>	<b>4,400</b>	<b>3,100</b>	<b>3,000</b>	<b>3,600</b>
Clerk/Treasurer				
Personal Services	4,400	3,700	3,500	3,600
Fringe Benefits	2,700	600	300	300
Contractual Services	700	600	1,000	1,200
Supplies and Materials	400	600	400	500
<b>Total Clerk/Treasurer</b>	<b>8,200</b>	<b>5,500</b>	<b>5,200</b>	<b>5,600</b>
Lands/Buildings				
Contractual Services	5,400	5,000	3,200	2,900
Tax Collection Fees				
Contractual Services	300	600	300	300
State Auditor Fees				
Contractual Services	5,900	1,800	3,600	400

2011 Forecasted	2012 Forecasted	2013 Forecasted	2014 Forecasted
\$8,200	\$8,200	\$8,200	\$8,200
12,600	12,600	12,600	12,600
3,800	3,800	3,800	3,800
700	700	700	700
40	50	50	50
600	100	100	100
25,940	25,450	25,450	25,450
2,900	3,100	3,300	3,500
300	300	300	300
3,200	3,400	3,600	3,800
1,200	1,200	1,200	1,200
100	100	100	100
1,300	1,300	1,300	1,300
3,600	3,600	3,600	3,600
300	300	300	300
3,900	3,900	3,900	3,900
3,600	3,600	3,700	3,700
300	300	300	300
1,300	1,300	1,300	1,300
500	500	600	600
5,700	5,700	5,900	5,900
3,000	3,100	3,200	3,300
300	400	400	400
3,900	0	4,200	0

(continued)

Village of Sparta, Morrow County  
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget Basis  
For the Years Ended December 31, 2007, through 2009, Actual  
and Ending December 31, 2010, through 2014, Forecasted  
(continued)

	General Fund			
	2007	2008	2009	2010
	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Forecasted</u>
Solicitor				
Contractual Services	\$3,700	\$200	\$0	\$300
Total General Government	<u>29,800</u>	<u>16,400</u>	<u>16,500</u>	<u>14,400</u>
Total Expenditures	<u>32,300</u>	<u>18,900</u>	<u>19,200</u>	<u>17,400</u>
Changes in Fund Balance	25,400	5,900	3,240	4,840
Fund Balance (Deficit) Beginning of Year	<u>(22,700)</u>	<u>2,700</u>	<u>8,600</u>	<u>11,840</u>
Fund Balance End of Year	<u><u>\$2,700</u></u>	<u><u>\$8,600</u></u>	<u><u>\$11,840</u></u>	<u><u>\$16,680</u></u>

2011 Forecasted	2012 Forecasted	2013 Forecasted	2014 Forecasted
\$300	\$300	\$300	\$300
18,400	14,700	19,200	15,100
21,600	18,100	22,800	18,900
4,340	7,350	2,650	6,550
16,680	21,020	28,370	31,020
<u>\$21,020</u>	<u>\$28,370</u>	<u>\$31,020</u>	<u>\$37,570</u>

Village of Sparta, Morrow County  
Statement of Revenues, Expenses, and Changes in Fund Balance - Budget Basis  
For the Years Ended December 31, 2007, through 2009, Actual  
and Ending December 31, 2010, through 2014, Forecasted

Wastewater Operating Fund				
	2007 Actual	2008 Actual	2009 Actual	2010 Forecasted
<u>Revenues</u>				
Charges for Services	\$57,800	\$87,800	\$112,700	\$90,000
<u>Expenses</u>				
Administration				
Personal Services	17,300	19,500	19,200	19,200
Fringe Benefits	5,100	4,700	3,500	3,600
Total Administration	22,400	24,200	22,700	22,800
Other				
Contractual Services	22,800	20,600	21,100	21,900
Supplies and Materials	2,400	3,000	1,500	2,600
Total Other	25,200	23,600	22,600	24,500
Debt Service				
Principal Retirement	0	22,700	34,500	23,300
Interest Expense	0	7,900	11,400	7,300
Total Expenses	47,600	78,400	91,200	77,900
Operating Income	10,200	9,400	21,500	12,100
Other Financing Uses				
Transfers Out	0	(1,600)	0	0
Changes in Fund Balance	10,200	7,800	21,500	12,100
Fund Balance Beginning of Year	10,800	21,000	28,800	50,300
Fund Balance End of Year	\$21,000	\$28,800	\$50,300	\$62,400



2011 Forecasted	2012 Forecasted	2013 Forecasted	2014 Forecasted
\$90,000	\$90,000	\$90,000	\$90,000
19,700	20,300	20,900	21,500
3,700	3,800	3,900	4,000
23,400	24,100	24,800	25,500
26,100	25,200	26,700	25,800
2,700	2,800	2,900	3,000
28,800	28,000	29,600	28,800
23,600	23,800	24,000	24,300
7,100	6,900	6,600	6,400
82,900	82,800	85,000	85,000
7,100	7,200	5,000	5,000
0	0	0	0
7,100	7,200	5,000	5,000
62,400	69,500	76,700	81,700
\$69,500	\$76,700	\$81,700	\$86,700

Village of Sparta, Morrow County  
Summary of Significant Accounting Policies and Forecast Assumptions  
For the Years Ending December 31, 2010, through 2014

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**Note 1 - The Village**

The Village of Sparta is located in central Ohio in 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. Operating as a statutory village, Sparta must comply with all State laws regulating village government. The decision making process is directed by an elected Village Council and Mayor. The Village Council is the legislative authority of the Village and consists of six members who are elected at large and serve terms of four years. The Mayor is the chief executive officer of the Village and serves a term of four years.

On May 31, 2007, the Auditor of State's Office declared the Village of Sparta to be in a state of fiscal emergency in accordance with section 118.03 of the Ohio Revised Code. The declaration resulted in the establishment of a Financial Planning and Supervision Commission. The Commission is comprised of the Mayor, President Pro Tempore of Village Council, three individuals whose residency or principal place of business is within the Village, and a designee from both the State Treasurer's Office and the Office of Budget and Management. This Commission is required to adopt a financial recovery plan for the Village. Once the plan has been adopted, the Village's discretion is limited in that all financial activity of the Village must be in accordance with the plan.

The Village of Sparta provides general government services including street lighting, street maintenance and repair, and wastewater treatment. The operation of each of these activities is directly controlled by the Village Council through the budgetary process. The administration includes the Mayor and Clerk Treasurer.

**Note 2 - Nature of Presentation**

This financial forecast presents, to the best of the Village's knowledge and belief, the expected revenues, expenditures/expenses, and changes in fund balances for the forecast period. Accordingly, the forecast reflects the Village's judgment, as of May 25, 2010, the date of the forecast, the expected conditions and its expected course of action. The assumptions disclosed herein are those that management believes are significant to the forecast. There will usually be differences between the forecasted and actual results because events and circumstances frequently do not occur as expected, and those differences may be material.

The forecast presents the funds that are significant to the operations of the Village. These funds include the General Fund and the Wastewater Operating Fund.

Village of Sparta, Morrow County  
Summary of Significant Accounting Policies and Forecast Assumptions  
For the Years Ending December 31, 2010, through 2014

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**Note 3 - Summary of Significant Accounting Policies**

**A. Basis of Accounting**

This financial forecast has been prepared on a basis of cash receipts, disbursements, and encumbrances, which is consistent with the budget basis of accounting (non-GAAP) used to prepare the historical financial statements. Under this basis of accounting, certain revenue and related assets are recognized when received rather than when earned and certain expenditures are recognized when paid rather than when the obligation is incurred. However, by virtue of Ohio law, the Village is required to maintain the encumbrance method of accounting. This method requires purchase orders, contracts, and other commitments for the expenditure of monies to be recorded as the equivalent of an expenditure in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance.

**B. Fund Accounting**

The Village maintains its accounting records in accordance with the principles of “fund” accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the segregation of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity that stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

**Governmental Funds**

**General Fund** - The general fund is the operating fund of the Village and is used to account for all financial resources, except those required to be accounted for in another fund. The general fund balance is available to the Village for any purpose provided it is disbursed or transferred in accordance with Ohio law.

**Special Revenue Funds** - Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to disbursements for specified purposes.

**Proprietary Funds**

**Enterprise Funds** - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services.

**Wastewater Operating Fund** - This fund accounts for the provision of wastewater treatment services to residential and commercial users within the Village.

Village of Sparta, Morrow County  
Summary of Significant Accounting Policies and Forecast Assumptions  
For the Years Ending December 31, 2010, through 2014

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**Note 3 - Summary of Significant Accounting Policies** (continued)

**C. Budgetary Process**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of the budgetary documents within an established timetable. The major documents prepared are the certificate of estimated resources and the appropriations ordinance, both of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations ordinance are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated.

Estimated Resources - On or about September 1, the County Budget Commission issues an official certificate of estimated resources to the Village, which states the projected receipts of each fund. On or about January 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year. Prior to December 31, the Village must revise its budget so that total contemplated expenditures from any funds during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure.

Appropriations - A temporary appropriation measure to control cash disbursements may be passed on or about January 1 of each year if the annual appropriation for the full year is not ready for approval by Village Council. The temporary appropriation measure remains in place until the annual appropriation measure is adopted for the entire year. By March 31, an annual appropriation ordinance must be legally enacted by the Village Council. The appropriation measure may be amended or supplemented during the year as new information becomes available.

Encumbrances - The Village uses the encumbrance method of accounting. Under this system, purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve a portion of the applicable appropriation.

**D. Property, Plant and Equipment**

Capital assets acquired or constructed for general governmental services are recorded as expenditures. Depreciation is not recorded for these capital assets as the purpose of the financial statements for the governmental services is to report the expenditure of resources, not costs.

Village of Sparta, Morrow County  
 Summary of Significant Accounting Policies and Forecast Assumptions  
 For the Years Ending December 31, 2010, through 2014

**Note 4 - General Revenue Assumptions - All Funds**

**A. Property Taxes**

Property tax revenues consist of real property and public utility real and personal property. Tangible personal property taxes have been eliminated; however, amounts are included in the historical periods through 2009. Property taxes are collected for, and distributed to, the Village by the Morrow County Auditor and Treasurer. Property taxes are levied in one year (the tax year) and collected in the following year (the collection year). The Village may request advances from the Morrow County Auditor as the taxes are collected. When final settlements are made, any amounts remaining to be distributed to the Village are paid. Deductions for auditor and treasurer fees, advertising delinquent taxes, election expenses, and other fees are made at these settlement times. The amounts shown in the revenue section of the forecast represent gross property tax revenues. The Village uses property tax levies to finance General Fund activities.

State law allows for certain reductions in the form of rollbacks and homestead exemptions for real estate taxes. The State reimburses the Village for all revenue lost due to these exemptions. The amount of the reimbursement is presented in the account "intergovernmental revenue".

All property tax revenues are based on property valuations and levy rates. The County is required to reappraise property every six years and update the valuations every three years between the reappraisals. The last reappraisal was completed in 2004 for taxes collected in 2005. The next reappraisal will take place in 2010 for taxes collected in 2011 and the next triennial update will take place in 2013 for taxes collected in 2014. The Village's assessed values upon which property tax receipts were based for the last four years are as follows:

Class of Property	Collection Year			
	2007	2008	2009	2010
Real Property				
Residential and Agriculture	\$1,797,480	\$1,811,090	\$1,820,390	\$1,807,380
Commercial and Industrial	40,830	40,830	40,830	40,830
Public Utility Personal Property	63,260	64,420	62,110	62,110
Tangible Personal Property	8,430	4,215	0	0
Total Assessed Value	<u>\$1,910,000</u>	<u>\$1,920,555</u>	<u>\$1,923,330</u>	<u>\$1,910,320</u>

The property tax revenues are generated from several levies. The levy type, the fund in which the proceeds are received, the original year approved, the latest renewal year, the first and last year of collection, and the full tax rate are as follows:

Levy Type	Fund	Original Year Approved	Latest Year Renewed	First Year of Collection	Last Year of Collection	Total Rate (Per \$1,000 of Assessed Valuation)
Inside Millage	General	n/a	n/a	n/a	n/a	\$0.60
Operating	General	1995	2005	2006	2010	3.40
Operating	General	2003	2008	2009	2013	3.40
Total						<u>\$7.40</u>

For the forecast period, it is anticipated that both operating levies will be renewed by the voters when they expire.

Village of Sparta, Morrow County  
Summary of Significant Accounting Policies and Forecast Assumptions  
For the Years Ending December 31, 2010, through 2014

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**Note 4 - General Revenue Assumptions - All Funds** (continued)

Ohio law provides for a reduction in the rates of voted levies to offset increased values resulting from a reappraisal of real property. Reduction factors are applied to voted levies so that each levy yields the same amount of real property tax revenues on carryover property as in the prior year. For all voted levies, except debt levies, increases in revenues are restricted to amounts generated from new construction. The reduction factors are computed annually and applied separately for residential and agricultural real property and commercial and industrial real property. Reduction factors are not applied to inside millage (an unvoted levy) or public utility personal property levy rates.

Public utility real and personal property taxes are collected and settled by the County with real estate taxes and are recorded as general property taxes. Beginning in 2001, the Ohio General Assembly reduced the assessment rate for certain tangible personal property of electric and gas utilities from 88 percent to 25 percent. Starting in tax year 2005, the assessment rate for personal property owned by telephone utilities prior to 1995 was being phased down from 88 percent to 25 percent (in tax year 2007) over a three-year period. Beginning in 2007, House Bill 66 switched telephone companies from being public utilities to general business taxpayers and began a four-year phase out of the tangible personal property tax on local and inter-exchange telephone companies. No tangible personal property taxes will be levied or collected after calendar year 2010 on local and inter-exchange telephone companies. For 2010, the amount of revenue the Village anticipates to collect is insignificant. The State of Ohio reimburses the Village for the loss of tangible personal property taxes as a result of these changes within certain limitations (see Intergovernmental Revenue below).

For collection year 2010 (assessed in 2009), the effective residential and agriculture real property tax rates for inside and outside millage are \$0.6000, \$1.3567, and \$2.8231, respectively. The effective commercial and industrial real property tax rates for inside and outside millage are \$0.6000, \$1.4152, and \$3.2618, respectively. The change in effective rates from prior years was minimal.

Real Property - Real property taxes were slightly lower in 2008 and 2009 due to delinquent taxes. A minimal increase is projected for 2010 and property taxes are forecasted to remain the same for 2011 through 2014. Class I property values and 18 percent of Class II property values are expected to remain the same. The remaining 78 percent of Class II property values are expected to decrease 5 percent as provided by the Ohio Department of Taxation. A 3 percent increase in Class I property taxes is assumed in 2014, the update year.

Tangible Personal Property - Tangible personal property taxes have had a number of changes in the past several years. Beginning in 2001, the Ohio General Assembly reduced the assessment rate for certain tangible personal property of electric and gas utilities from 88 percent to 25 percent. Starting in tax year 2005, the assessment rate for personal property owned by telephone utilities prior to 1995 was being phased down from 88 percent to 25 percent (in tax year 2007) over a three-year period. Effective for tax years 2005 and 2006, the assessment rate on inventory was to be reduced by 2 percent if the total statewide collections of personal property taxes for the second preceding year exceeded the total statewide collections of property taxes for the third preceding year. Effective for tax years 2007 and beyond, the assessment rate for inventory was to be reduced by 2 percent per year until completely phased out, regardless of the growth in collections.

Village of Sparta, Morrow County  
Summary of Significant Accounting Policies and Forecast Assumptions  
For the Years Ending December 31, 2010, through 2014

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**Note 4 - General Revenue Assumptions - All Funds** (continued)

Beginning in 2006, House Bill 66 will phase out, by 25 percent each year, tangible personal property tax on most businesses' inventory, manufacturing machinery and equipment, and furniture and fixtures. This change supersedes the changes and phase-out periods addressed above. No tangible personal property taxes will be levied or collected in 2009 from general business taxpayers (except telephone companies whose last year to pay tangible personal property tax is 2010). Most new manufacturing machinery and equipment that would have been first taxable in tax year 2006 and thereafter will not be subject to any tangible personal property tax. The State of Ohio will reimburse the Village for the loss of tangible personal property taxes as a result of the changes in House Bill 66 within certain limitations (see Intergovernmental Revenues below). Taxes for telephone property will be collected until 2010. Collection of all other tangible personal property taxes ended after 2007.

**B. Intergovernmental Revenues**

Intergovernmental revenues include local government monies and property tax allocations for rollback, homestead, and tangible personal property. The local government funds are distributed monthly by the State to the Village and by the County Auditor to the Village. The property tax allocations for rollback, homestead, and tangible personal property are received from the State and are based on information provided by the County Auditor.

Beginning in 2006, the State reimbursed the Village for lost revenue due to the phase-out of tangible personal property tax. In the first five years, the Village will be fully reimbursed relative to prior law for revenue lost due to the taxable value reductions prescribed by House Bill 66. Over the next seven years, the reimbursements are phased-out. The reimbursement will be for the difference between the assessed values under prior law and the assessed values under House Bill 66. This means the Village is only reimbursed for the difference between the amounts that would have been received under the prior law and amounts actually received as the phase-outs in House Bill 66 are implemented.

State law grants tax relief in the form of a 10 percent reduction in real property tax bills. In addition, a 2.5 percent rollback is granted on residential property taxes. Tax relief is also granted to qualified elderly and disabled homeowners based on their income. The State reimburses the Village for the loss of real property taxes caused by the homestead and rollback tax relief programs.

In tax collection year 2008, the State expanded the homestead exemption to allow eligible homeowners to shield the first \$25,000 in market value from taxation. This expanded amount will increase State allocation revenue and decrease property tax revenues by an equal amount.

In prior years, the State exempted the first \$10,000 in tangible personal property from taxation. The State reimbursed the Village for the lost revenue. In 2004, the State began to phase-out the reimbursement by 10 percent each year. Under House Bill 66, the phase-out period was accelerated. The last reimbursement for this exemption was in October 2008.

Village of Sparta, Morrow County  
 Summary of Significant Accounting Policies and Forecast Assumptions  
 For the Years Ending December 31, 2010, through 2014

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**Note 4 - General Revenue Assumptions - All Funds** (continued)

Section 503.12(B) of House Bill 66 established a Task Force to study potential sources of State funding for the local government and the local government revenue assistance programs that have the capacity for growth and stability in the funding levels and that considers the changes to the Ohio tax code. In December 2006, the Task Force submitted a report to the Governor and to the General Assembly setting forth its recommendations. The State Budget bill for fiscal years 2008 and 2009 replaced the percentage of tax methodology with a percentage of tax receipts formula. In general, the formula proposes that the three local government funds at the State level receive a percentage of the general revenue fund tax receipts in total collected by the State. As part of the change, the Local Government Revenue Assistance program was eliminated. Revenue received from the local government program is expected to remain at the same level as has been received in prior years.

Revenue Source	Forecasted				
	2010	2011	2012	2013	2014
Local Government	\$11,200	\$11,200	\$11,200	\$11,200	\$11,200
Property Tax Allocation	1,500	1,400	1,400	1,400	1,400
Totals	\$12,700	\$12,600	\$12,600	\$12,600	\$12,600

**Note 5 - Specific Fund Revenue Assumptions**

**A. General Fund**

Special Assessments - Beginning in 2011, the Village intends to assess properties on the tax duplicate for street lighting.

Licenses and Permits - Licenses and permits receipts represent franchise fees. The Village does not anticipate any growth; therefore, this revenue source is expected to remain constant.

Interest - Interest receipts are expected to increase slightly due to the increase in resources available to be invested.

Other Revenues - In 2007, the Village had receipts of nearly \$32,000 from collecting restitution from a former Clerk Treasurer. This collection continues; however, the amount collected continues to decrease.

**B. Wastewater Operating**

Charges for Services - Effective June 1, 2008, wastewater rates increased to \$68 per month for each residential and business unit. The Village has a separate agreement with Highland Local School District establishing the School District's rate. No growth is expected in the Village and no increase in rate is anticipated for the forecast period.



Village of Sparta, Morrow County  
Summary of Significant Accounting Policies and Forecast Assumptions  
For the Years Ending December 31, 2010, through 2014

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**Note 6 - General Expenditure Assumptions - All Funds**

**A. Personal Services**

Personal services include the salaries paid to the employee and elected officials of the Village. Village Council, the Mayor, the Clerk Treasurer, and the Sewer Operator are paid monthly.

Currently, Village Council consists of six members with an annual salary of \$600 per member. Village Council is paid from the General Fund.

The Mayor's current annual salary is \$1,200, the Clerk Treasurer's current annual salary is \$4,800, and the Sewer Operator's current annual salary is \$18,000. The Mayor is paid from the General Fund. The Clerk Treasurer is paid 75 percent from the General Fund and 25 percent from the Wastewater Operating Fund and the Sewer Operator is paid from the Wastewater Operating Fund.

The Clerk Treasurer's current term is through 2012. A 3 percent increase is anticipated for the next term starting in 2013. The salary for the Sewer Operator is anticipated to increase 3 percent per year starting in 2011. No increases are expected for the Mayor or Village Council within the forecast period.

**B. Fringe Benefits**

Fringe benefits include employer contributions to the State pension system, workers' compensation, social security, and Medicare.

The Sewer Operator is the only employee that participates in the Ohio Public Employees Retirement System (OPERS). OPERS provides basic retirement, disability, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. Employees are required to contribute 10 percent of their annual salary and the Village is required to contribute 14 percent.

Workers' compensation coverage is provided by the State of Ohio. The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. A slight increase is expected annually.

**C. Contractual Services**

Contractual services include street lighting, property and liability insurance, utility charges (telephone, internet, electricity, water, and sewer), postage, printing, advertising, professional dues, legal fees, auditor and treasurer fees, accounting and auditing services, and wastewater treatment professional services.

For 2010 through 2014, property and liability insurance is anticipated to increase 3 percent annually based upon historical trend.

Increases in various utility costs are projected to increase between 3 percent and 8 percent based upon historical trends.

Village of Sparta, Morrow County  
 Summary of Significant Accounting Policies and Forecast Assumptions  
 For the Years Ending December 31, 2010, through 2014

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**Note 6 - General Expenditure Assumptions - All Funds** (continued)

D. Materials and Supplies

Materials and supplies expenditures include office supplies, operating supplies (chemicals, salt, and gasoline), and repair and maintenance costs. Materials and supplies are anticipated to increase 3 percent per year due to inflation.

E. Debt Service

The original issue date, interest rate, original issue amount, and maturity date for the Village's long-term obligations as of December 31, 2009, were as follows:

	Original Issue Date	Interest Rate	Original Issue Amount	Maturity Date
Loan Payable				
OWDA Wastewater Treatment System	1/31/2008	1.00%	\$790,727	7/1/2037

OWDA Loan - The Village obtained a loan from Ohio Water Development Authority for a Wastewater Treatment System. The loan is paid from revenues of the Wastewater Operating Fund.

Principal and interest requirements to retire the OWDA Loan are:

Year	Principal	Interest
2010	\$23,297	\$7,277
2011	23,531	7,043
2012	23,767	6,807
2013	24,004	6,570
2014	24,246	6,328
2015-2019	124,923	27,947
2020-2024	131,312	21,558
2025-2029	138,025	14,845
2030-2034	145,085	7,785
2035-2037	75,301	1,134
	\$733,491	\$107,294

Village of Sparta, Morrow County  
Summary of Significant Accounting Policies and Forecast Assumptions  
For the Years Ending December 31, 2010, through 2014

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**Note 7 - Transfers - All Funds**

Transfers out from the Wastewater Operating Fund include a one-time payment in 2008 to the Permanent Improvement Fund to eliminate the deficit in the Permanent Improvement Fund related to wastewater improvements.

**Note 8 - Other Funds**

The Village has numerous other funds that account for resources that are restricted for specific purposes. These funds are anticipated to have sufficient resources to meet their obligations during the forecasted period.

In 2010, the Village intends to rebuild the blower and replace the motor at the wastewater treatment facility, in the amount of \$2,500 and \$1,700, respectively. In 2011, the Village plans to rebuild the lift station pump, in the amount of \$4,000. These improvements will be paid from the Sewer Improvement Fund (not included in the forecast).

**Note 9 - Pending Litigation**

The Village currently has no pending litigation.

**Note 10 - Financial Planning and Supervision Commission**

On May 31, 2007, the Village was declared to be in a state of "Fiscal Emergency" by the Auditor of State. Legislation effective September 1996 permitted this declaration due to the Village's declining financial condition. In accordance with the law, a seven-member Financial Planning and Supervision Commission has been established to oversee the financial affairs of the Village. The Commission is comprised of the Mayor, President Pro Tempore of Village Council, a designee from both the State Treasurer's Office and the Office of Budget and Management, and three appointed members. The appointments are made by the Governor of the State of Ohio and the Mayor of the Village of Sparta. The Commission's primary charge is to develop, adopt, and implement a financial recovery plan. Once the plan has been adopted, the Village Council's discretion is limited in that all financial activity of the Village must in accordance with the plan. Based on this report, the operation of the Commission will be terminated.

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**Mary Taylor, CPA**  
Auditor of State

**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 25, 2010**