



**VILLAGE OF EAST SPARTA  
STARK COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2000-1999**



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



VILLAGE OF EAST SPARTA  
STARK COUNTY

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## REPORT OF INDEPENDENT ACCOUNTANTS

Village of East Sparta  
Stark County  
9353 Main Street  
East Sparta, Ohio 44626

To the Village Council:

We have audited the accompanying financial statements of the Village of East Sparta, Stark County, Ohio, (the Village) as of and for the years ended December 31, 2000 and 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 audits.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village as of December 31, 2000 and 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 February 23, 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 audits.

Village of East Sparta  
Stark County  
Report of Independent Accountants  
Page 2

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

**Jim Petro**  
Auditor of State

February 23, 2001

**VILLAGE OF EAST SPARTA  
STARK COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
<b>Cash Receipts:</b>				
Property Tax and Other Local Taxes	\$65,848	\$37,252	\$8,147	\$111,247
Intergovernmental	26,700	28,221		54,921
Charges for Services	975	58,750		59,725
Fines, Licenses, and Permits	7,594			7,594
Earnings on Investments	1,741	210		1,951
Miscellaneous	152			152
	<u>103,010</u>	<u>124,433</u>	<u>8,147</u>	<u>235,590</u>
<b>Total Cash Receipts</b>				
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	41,442			41,442
Public Health Services	5,818	10,000		15,818
Leisure Time Activities		49,433		49,433
Transportation	2,131	45,904		48,035
General Government	61,281			61,281
Debt Service:				
Principal Payments			6,508	6,508
Interest Payments			1,639	1,639
Capital Outlay		18,149		18,149
	<u>110,672</u>	<u>123,486</u>	<u>8,147</u>	<u>242,305</u>
<b>Total Cash Disbursements</b>				
Total Cash Receipts (Under)/Over Cash Disbursements	<u>(7,662)</u>	<u>947</u>		<u>(6,715)</u>
Fund Cash Balances January 1	<u>43,962</u>	<u>57,801</u>		<u>101,763</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$36,300</u></b>	<b><u>\$58,748</u></b>		<b><u>\$95,048</u></b>
Reserves for Encumbrances, December 31	<u>\$2,372</u>	<u>\$1,016</u>	<u>\$0</u>	<u>\$3,388</u>

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

**VILLAGE OF EAST SPARTA  
STARK COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<b>Enterprise Fund</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$159,384
Miscellaneous	356
Total Operating Cash Receipts	159,740
<b>Operating Cash Disbursements:</b>	
Personal Services	27,004
Fringe Benefits	5,105
Contractual Services	22,926
Supplies and Materials	31,392
Total Operating Cash Disbursements	86,427
Operating income	73,313
<b>Non-Operating Cash Disbursements:</b>	
Debt Service	12,717
Net Cash Receipts Over Cash Disbursements	60,596
Fund Cash Balances, January 1	82,728
<b>Fund Cash Balances, December 31</b>	<b>\$143,324</b>
Reserve for Encumbrances, December 31	\$16,891

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



**VILLAGE OF EAST SPARTA  
STARK COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
<b>Cash Receipts:</b>				
Property Tax and Other Local Taxes	\$67,673	\$26,147	\$8,147	\$101,967
Intergovernmental	22,609	25,278		47,887
Charges for Services	675	71,946		72,621
Fines, Licenses, and Permits	9,133			9,133
Earnings on Investments	1,679	211		1,890
Miscellaneous	14,156			14,156
<b>Total Cash Receipts</b>	<u>115,925</u>	<u>123,582</u>	<u>8,147</u>	<u>247,654</u>
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	38,127	2,350		40,477
Public Health Services	5,221	10,000		15,221
Leisure Time Activities		56,861		56,861
Transportation	473	39,541		40,014
General Government	63,372			63,372
Debt Service:				
Principal Payments			6,884	6,884
Interest Payments			1,263	1,263
Capital Outlay		11,029		11,029
<b>Total Cash Disbursements</b>	<u>107,193</u>	<u>119,781</u>	<u>8,147</u>	<u>235,121</u>
<b>Total Cash Receipts Over Cash Disbursements</b>	<u>8,732</u>	<u>3,801</u>		<u>12,533</u>
<b>Fund Cash Balances January 1</b>	<u>35,230</u>	<u>54,000</u>		<u>89,230</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$43,962</b></u>	<u><b>\$57,801</b></u>		<u><b>\$101,763</b></u>
<b>Reserves for Encumbrances, December 31</b>	<u><b>\$3,509</b></u>	<u><b>\$1,929</b></u>		<u><b>\$5,438</b></u>

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

**VILLAGE OF EAST SPARTA  
STARK COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Enterprise Funds</u>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$142,462
Miscellaneous	327
	<hr/>
Total Operating Cash Receipts	142,789
<b>Operating Cash Disbursements:</b>	
Personal Services	25,552
Fringe Benefits	7,466
Contractual Services	22,021
Supplies and Materials	36,820
Capital Outlay	9,125
	<hr/>
Total Operating Cash Disbursements	100,984
Operating Income	41,805
<b>Non-Operating Cash Receipts:</b>	
Intergovernmental Receipts	9,125
Loan Proceeds	37,762
	<hr/>
Total Non-Operating Cash Receipts	46,887
<b>Non-Operating Cash Disbursements:</b>	
Debt Service	39,304
	<hr/>
Net Cash Receipts Over Cash Disbursements	49,388
Fund Cash Balances, January 1	33,340
	<hr/>
<b>Fund Cash Balances, December 31</b>	<b>82,728</b>
	<hr/> <hr/>
Reserve for Encumbrances, December 31	1,852
	<hr/> <hr/>

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

**VILLAGE OF EAST SPARTA  
STARK 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 East Sparta, Stark 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, including water utilities and park operations (leisure time activities). The Village contracts with the East Sparta Volunteer Fire Department to provide fire protection services and with the surrounding villages for police services.

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**

Deposits are maintained in a checking account and a money market account.

**D. Fund Accounting**

The Village uses fund accounting to segregate cash that is 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 Fund**

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:

Parks and Recreation Fund - This fund receives leisure time activities and concession stand sales and is used to maintain the Village park.

Roads and Bridges Fund - This fund receives local tax monies. These monies are used to pay Village employees for work performed on Village roads and bridges.

**VILLAGE OF EAST SPARTA  
STARK COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Fund Accounting (Continued)**

**3. Debt Service Fund**

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

Dump Truck Fund - This fund is used to accumulate resources for the payment of principal and interest on the Village's Dump Truck bank note.

**4. Enterprise Funds**

These funds account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges. The Village had the following significant Enterprise Fund:

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

**E. Budgetary Process**

The Ohio Revised Code requires that each fund be budgeted annually.

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

**2. Estimated Resources**

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

**3. Encumbrances**

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

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 capital outlay disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

**VILLAGE OF EAST SPARTA  
STARK COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**G. Unpaid Vacation and Sick Leave**

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the Village.

**2. EQUITY IN POOLED CASH**

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:

	<u>2000</u>	<u>1999</u>
Demand deposits	\$ 238,372	\$ 184,491

**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 1999 follows:

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 101,227	\$ 103,010	\$ 1,783
Special Revenue	111,966	124,433	12,467
Debt Service	8,147	8,147	
Enterprise	124,500	159,740	35,240
Total	\$ 345,840	\$ 395,330	\$ 49,490

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 120,505	\$ 113,044	\$ 7,461
Special Revenue	159,800	124,502	35,298
Debt Service	8,147	8,147	
Enterprise	137,200	116,035	21,165
Total	\$ 425,652	\$ 361,728	\$ 63,924

**VILLAGE OF EAST SPARTA  
STARK COUNTY**

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

**3. BUDGETARY ACTIVITY (Continued)**

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 97,687	\$ 115,925	\$ 18,238
Special Revenue	101,546	123,582	22,036
Debt Service	8,147	8,147	0
Enterprise	151,000	189,676	38,676
Total	\$ 358,380	\$ 437,330	\$ 78,950

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 118,625	\$ 110,702	\$ 7,923
Special Revenue	149,096	121,710	27,386
Debt Service	8,147	8,147	0
Enterprise	180,488	142,140	38,348
Total	\$ 456,356	\$ 382,699	\$ 73,657

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

Public utilities are also taxed on personal and real property located within the Village.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

**VILLAGE OF EAST SPARTA  
STARK COUNTY**

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

**5. DEBT**

Debt outstanding at December 31, 2000 was as follows:

	Principal	Interest Rate
Bank Note - Dump Truck	\$ 21,868	5.75%
Ohio Public Works Commission Loan	177,658	0.00%
Ohio Water Development Authority Loan	58,973	5.66%
Total	\$ 258,499	

The Dump Truck Bank Note is being repaid in annual installments over 7 years with 3 years remaining.

The Ohio Public Works Commission (OPWC) Water Improvement project loan relates to water improvements. The OPWC has approved up to \$211,273 in loans to the Village for this project. As of December 31, 2000, the Village has requested and received \$192,063. The loan will be repaid in semi-annual installments with no interest, over 20 years. The loan is collateralized by water receipts. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements.

The Ohio Water Development Authority (OWDA) loan relates to a water plant expansion project that was mandated by the Ohio Environmental Protection Agency. The OWDA has approved up to \$88,481 in loans to the Village for this project. As of December 31, 2000, the Village has requested and received \$62,603. The loan will be repaid in semi-annual installments at 5.66% interest over 20 years. The loan is collateralized by water receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

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

Year ending December 31:	Dump Truck Note	OPWC Loan	OWDA Loan
2001	\$ 8,147	\$ 9,603	\$ 5,308
2002	8,147	9,603	5,308
2003	5,743	9,603	5,308
2004	0	9,603	5,308
2005	0	9,603	5,308
Subsequent	0	129,643	34,142
Total	\$ 22,037	\$ 177,658	\$ 60,682

**6. RETIREMENT SYSTEMS**

Full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

**VILLAGE OF EAST SPARTA  
STARK COUNTY**

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

**6. RETIREMENT SYSTEMS (Continued)**

Contribution rates are also prescribed by the Ohio Revised Code. For 2000 and 1999, members of PERS contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 2000.

**7. RISK MANAGEMENT**

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles
- General liability
- Public officials' liability
- Employee benefits liability

The Village also provides health insurance and dental and vision coverage to full-time employees through a private carrier.





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

Village of East Sparta  
Stark County  
9353 Main Street  
East Sparta, Ohio 44626

To the Village Council:

We have audited the accompanying financial statements of the Village of East Sparta, Stark County, Ohio, (the Village) as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated February 23, 2001. We conducted our audits 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

However, we noted an immaterial instance of noncompliance that we have reported to management of the Village in a separate letter dated February 23, 2001.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

However, we noted other matters involving the internal controls over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated February 23, 2001.

Village of East Sparta  
Stark County  
Report of Independent Accountants on Compliance and on Internal Control  
Required by *Government Auditing Standards*  
Page 2

This report is intended for the information and use of the audit committee, 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

February 23, 2001



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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**VILLAGE OF EAST SPARTA**

**STARK 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  
APRIL 5, 2001**