



Mary Taylor, CPA
Auditor of State

VILLAGE OF SPARTA
MORROW COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2008.....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Proprietary Funds - For the Year Ended December 31, 2008.....	6
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2007.....	7
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Proprietary Funds - For the Year Ended December 31, 2007.....	8
Notes to the Financial Statements	9
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	15
Schedule of Findings	17
Schedule of Prior Audit Findings	19

This page intentionally left blank.



Mary Taylor, CPA
Auditor of State

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

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your Village to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

Mary Taylor

Mary Taylor, CPA
Auditor of State

July 28, 2009

This page intentionally left blank.



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of Village of Sparta, Morrow County, Ohio, (the Village) as of and for the years ended December 31, 2008 and 2007. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. The Auditor of State served during the years ended December 31, 2008 and 2007 as the Village's financial supervisor under Ohio Rev. Code § 118.05 (G). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to the audit the Village because the Auditor of State may assume broad management powers, duties and functions under Ohio Rev. Code § 118.04. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Rev. Code § 118.05 (G) requires the Auditor of State to provide these supervisory services, and Ohio Rev. Code §§ 117.11 (B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2008 and 2007 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2008 and December 31, 2007, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Village of Sparta, Morrow County, as of December 31, 2008 and 2007, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 28, 2009, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Mary Taylor, CPA
Auditor of State

July 28, 2009

**VILLAGE OF SPARTA
MORROW COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Governmental Fund Types			Totals
	General	Special Revenue	Capital Projects	(Memorandum Only)
Cash Receipts:				
Property and Local Taxes	\$7,966.16	\$0.00	\$0.00	\$7,966.16
Intergovernmental	14,557.02	5,380.55	0.00	19,937.57
Fines, Licenses and Permits	635.99	0.00	0.00	635.99
Earnings on Investments	11.75	71.60	0.00	83.35
Miscellaneous	108.80	0.00	1,618.75	1,727.55
Total Cash Receipts	23,279.72	5,452.15	1,618.75	30,350.62
Cash Disbursements:				
Current:				
Security of Persons & Property	2,506.06	0.00	0.00	2,506.06
Transportation	0.00	18,020.79	0.00	18,020.79
General Government	16,515.25	0.00	0.00	16,515.25
Total Cash Disbursements	19,021.31	18,020.79	0.00	37,042.10
Total Receipts Over/(Under) Disbursements	4,258.41	(12,568.64)	1,618.75	(6,691.48)
Other Financing Receipts:				
Finding For Recovery Repaid	1,467.29	0.00	0.00	1,467.29
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	5,725.70	(12,568.64)	1,618.75	(5,224.19)
Fund Cash Balances, January 1	2,648.07	33,266.41	(1,618.75)	34,295.73
Fund Cash Balances, December 31	\$8,373.77	\$20,697.77	\$0.00	\$29,071.54
Reserve for Encumbrances, December 31	\$137.75	\$0.00	\$0.00	\$137.75

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
SEWER FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Sewer
Operating Cash Receipts:	
Charges for Services	\$87,809.27
Operating Cash Disbursements:	
Current:	
Personal Services	19,485.77
Employee Fringe Benefits	4,727.80
Contractual Services	22,260.80
Supplies and Materials	3,032.93
Total Operating Cash Disbursements	49,507.30
Operating Income	38,301.97
Non-Operating Cash Disbursements	
Redemption of Principal	(22,723.33)
Interest and Other Fiscal Charges	(7,850.61)
Total Non-Operating Disbursements	(30,573.94)
Excess Receipts over Disbursements	7,728.03
Fund Cash Balances, January 1	40,865.48
Fund Cash Balances, December 31	\$48,593.51
Reserve for Encumbrances, December 31	\$436.19

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
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Governmental Fund Types			Totals
	General	Special Revenue	Capital Projects	(Memorandum Only)
Cash Receipts:				
Property and Local Taxes	\$8,305.89	\$0.00	\$0.00	\$8,305.89
Intergovernmental	17,128.99	5,984.57	0.00	23,113.56
Fines, Licenses and Permits	313.53	0.00	0.00	313.53
Earnings on Investments	17.68	128.14	0.00	145.82
Miscellaneous	34.33	0.00	0.00	34.33
Total Cash Receipts	25,800.42	6,112.71	0.00	31,913.13
Cash Disbursements:				
Current:				
Security of Persons & Property	2,573.14	0.00	0.00	2,573.14
Transportation	0.00	3,723.09	0.00	3,723.09
General Government	29,801.37	0.00	0.00	29,801.37
Capital Outlay	0.00	169.20	0.00	169.20
Total Cash Disbursements	32,374.51	3,892.29	0.00	36,266.80
Total Receipts Over/(Under) Disbursements	(6,574.09)	2,220.42	0.00	(4,353.67)
Other Financing Receipts:				
Finding For Recovery Repaid	31,933.35	0.00	0.00	31,933.35
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements	25,359.26	2,220.42	0.00	27,579.68
Fund Cash Balances, January 1	(22,711.19)	31,045.99	(1,618.75)	6,716.05
Fund Cash Balances, December 31	\$2,648.07	\$33,266.41	(\$1,618.75)	\$34,295.73
Reserve for Encumbrances, December 31	\$137.75	\$0.00	\$0.00	\$137.75

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
SEWER FUND
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Sewer</u>
Operating Cash Receipts:	
Charges for Services	<u>\$77,797.90</u>
Operating Cash Disbursements:	
Current:	
Personal Services	17,288.01
Employee Fringe Benefits	5,122.12
Contractual Services	22,844.50
Supplies and Materials	<u>2,439.99</u>
Total Operating Cash Disbursements	<u>47,694.62</u>
Operating Income	30,103.28
Fund Cash Balances, January 1	<u>10,762.20</u>
Fund Cash Balances, December 31	<u><u>\$40,865.48</u></u>
Reserve for Encumbrances, December 31	<u><u>\$436.19</u></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, 2008 AND 2007**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Sparta, Morrow County, Ohio, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides general government services.

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Deposits

The Village's maintains a 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 reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Fund:

Street Construction, Maintenance and Repair 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, 2008 AND 2007
(Continued)**

1. Summary of Significant Accounting Policies (continued)

D. Fund Accounting (continued)

3. Capital Project Fund

This fund accounts for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant Capital Project Fund:

Other Capital Project Fund – This fund received loan proceeds and grants for the purpose of constructing a wastewater treatment facility.

4. Enterprise Funds

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

Sewer Fund - This fund receives charges for services from residents to cover the cost of providing the 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 individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Village did not encumber all commitments required by Ohio law.

A summary of 2008 and 2007 budgetary activity appears in Note 3.

**VILLAGE OF SPARTA
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

1. Summary of Significant Accounting Policies (continued)

F. Property, Plant, and Equipment

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

2. Equity in Pooled Deposits

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

	2008	2007
Demand deposits	\$77,665	\$75,161

Deposits: Deposits are insured by the Federal Depository Insurance Corporation.

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2008 and December 31, 2007 follows:

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$30,690	\$24,747	(\$5,943)
Special Revenue	6,320	5,452	(868)
Capital Projects	1,619	1,619	0
Enterprise	46,500	87,809	41,309
Total	\$85,129	\$119,627	\$34,498

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$25,740	\$19,159	\$6,581
Special Revenue	29,400	18,021	11,379
Capital Projects	1,619	0	1,619
Enterprise	80,800	80,517	283
Total	\$137,559	\$117,697	\$19,862

**VILLAGE OF SPARTA
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

3. Budgetary Activity (continued)

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$26,300	\$57,734	\$31,434
Special Revenue	6,747	6,113	(634)
Capital Projects	0	0	0
Enterprise	27,422	77,798	50,376
Total	\$60,469	\$141,645	\$81,176

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$36,980	\$32,512	\$4,468
Special Revenue	13,400	3,892	9,508
Capital Projects	0	0	0
Enterprise	48,585	48,131	454
Total	\$98,965	\$84,535	\$14,430

Contrary to Ohio law, budgetary appropriations exceeded estimated resources in the Sewer fund by \$10,401 for the year ended December 31, 2007.

4. Property Tax

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

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, 2008 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan	768,004	1%

The Ohio Water Development Authority (OWDA) loan relates to a sewer plant construction project.

**VILLAGE OF SPARTA
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

5. Debt (continued)

On September 17, 2004, the Village filed suit against OWDA involving the construction loan. The Morrow County Common Pleas Court awarded a judgment to the OWDA. The Village remained in default on the OWDA loan until January 31, 2008 when a new agreement was reached with OWDA. See paragraph below for the new agreement.

The OWDA approved \$790,727 in loans to the Village for this project on January 31, 2008. The Village will repay the loans in semiannual installments of \$15,287, including interest, over 30 years. Sewer receipts collateralize the loan. 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:	<u>OWDA Loan</u>
2009	\$30,574
2010	30,574
2011	30,574
2012	30,574
2013	30,574
2014-2018	152,870
2019-2023	152,870
2024-2028	152,870
2029-2033	152,870
2034-2037	<u>122,287</u>
Total	<u>\$886,636</u>

6. Retirement System

The Village employee belongs to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2008 and 2007, the OPERS member contributed 10% and 9.5%, respectively, of their gross salary and the Village contributed an amount equaling 14% and 13.85%, respectively, of the participants' gross salary. The Village has paid all contributions required through December 31, 2008.

7. Risk Pool Membership

The Village belongs to the Ohio Municipal Joint Self Insurance Pool (the Pool), an unincorporated non-profit association available to municipal corporations and their instrumentalities. The Plan is a separate legal entity per Section 2744 of the Ohio Revised Code. The Pool provides property and casualty insurance for its members. The Plan pays judgments, settlements and other expenses resulting for covered claims that exceed the members' deductibles.

The Pool cedes certain premiums to reinsurers or excess reinsurers. The Pool is contingently liable should any reinsurer be unable to meet its reinsurance obligations.

**VILLAGE OF SPARTA
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

7. Risk Pool Membership (continued)

Members may withdraw at the end of any coverage period upon 60 days' prior notice to the Pool. A withdrawing member not providing the required notification remains responsible for its unpaid claims, and also remains liable for additional assessments (if any) for years during which they were members.

The Pool's financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained deficit at December 31, 2008 and 2007:

	2008	2007
Assets	2,552,519	2,405,834
Liabilities	(2,814,306)	(2,877,385)
Accumulated Deficit	(261,787)	(471,551)

8. Restitution repaid from prior Clerk-Treasurer

In 2006, a previous Clerk-Treasurer pleaded guilty to theft in office and was ordered to pay \$49,500 in restitution to the Village. For the years ended December 31, 2008 and December 31, 2007, restitution was received in the amount of \$1,467 and \$31,933, respectively. As of this report date, \$16,100 remains outstanding.

9. Fiscal Operations

On May 19, 2007, the Village was declared to be in Fiscal Emergency by the Auditor of the State of Ohio. As of this report date, the Village remains in Fiscal Emergency status.



Mary Taylor, CPA

Auditor of State

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

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

To the Village Council:

We have audited the financial statements of the Village of Sparta, Morrow County, Ohio, (the Village) as of and for the years ended December 31, 2008 and December 31, 2007, and have issued our report thereon dated July 28, 2009, wherein we noted the Village followed accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We also noted the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. In addition, the Auditor of State served during the years ended December 31, 2008 and December 31, 2007 as the Village's financial supervisor under Ohio Rev. Code §118.05 (G). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to the audit of the Village because the Auditor of State may assume broad management powers, duties and functions under Ohio Rev. Code §118.04. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Rev. Code §118.05 (G) requires the Auditor of State to provide these supervisory services, and Ohio Rev. Code §§117.11 (B) and 115.56 mandate the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

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

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

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

We noted certain matters that we reported to the Village's management in a separate letter dated July 28, 2009.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2008-001 and 2008-002.

We did note a certain noncompliance or other matter not requiring inclusion in this report that we reported to the Village's management in a separate letter dated July 28, 2009.

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



Mary Taylor, CPA
Auditor of State

July 28, 2009

VILLAGE OF SPARTA
MORROW COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2008 AND 2007

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

FINDING NUMBER 2008-001

Certification of Funds – Noncompliance Citation

Ohio Rev. Code Section 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification should be null and void.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" Certificate – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the fiscal officer can authorize the drawing of a warrant for the payment of the amount due. The council have thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the fiscal officer.

2. Blanket Certificate – Fiscal officer may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

3. Super Blanket Certificate – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Village did not certify the availability of funds prior to the purchase commitment for 71% of expenditures tested during 2008 and 2007.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend that the Clerk-Treasurer certify that the funds are or will be available prior to obligation by the Village. When prior certification is not possible, "then and now" certification should be used.

**VILLAGE OF SPARTA
MORROW COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2008 AND 2007
(continued)**

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

FINDING NUMBER 2008-001 (continued)

We recommend the Village's Clerk-Treasurer certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Clerk-Treasurer should sign the certification at the time the Village incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The Clerk-Treasurer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

FINDING NUMBER 2008-002

Appropriations Exceeding Estimated Resources – Noncompliance

Ohio Revised Code Section 5705.39 states in part that the total appropriations from each fund shall not exceed the total of the estimated resources available for expenditures there from, as certified by the budget commission, or in case of appeal, by the board of tax appeals. As of December 31, 2007, the Village had appropriations exceeding estimated resources available for expenditures in the following fund:

	Fund 2007	Estimated Resources	Appropriations	Variance
Sewer		\$38,184	\$48,585	(\$10,401)

This could result in the Village expending more money than it receives and could cause possible negative fund balances.

We recommend the Clerk-Treasurer periodically review the Amended Certificates of Estimated Resources and Appropriation Measures to ensure that total appropriations from each fund do not exceed the total of the estimated resources available for expenditure.

We did not receive a response from Official's to the findings reported above.

**VILLAGE OF SPARTA
MORROW COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2006-001	Council Minutes not accurate or complete	Yes	
2006-002	Village Policies	No	Partially Corrected – Reissued in Management letter
2006-003	Fiscal Responsibility/Council Monitoring of Financial Reports	Yes	
2006-004	Late Payments, Finance Charges, and Penalties	Yes	
2006-005	Computer Backup	Yes	
2006-006	Payroll Expenditures lacked supporting documentation	Yes	
2006-007	Expenditures lacked supporting documentation	Yes	
2006-008	Audit Committee	No	Partially Corrected – Reissued in Management letter
2006-009	Authorized Signatures	Yes	
2006-010	Debt Covenant	Yes	
2006-011	Utility Collections lacked master files, account receivable ledger, and receipt records.	No	Partially Corrected – Reissued in Management letter
2006-012	Annual Reports	Yes	
2006-013	Deposits of Public Money	No	Reissued in Management letter
2006-014	Adopting a Tax Budget	Yes	
2006-015	Certification of Funds – ORC 5705.36(A)(1)	Yes	
2006-016	Permanent Appropriations	Yes	
2006-017	Filing Form 1099's and W-2's	Yes	
2006-018	Education Requirements	Yes	

**VILLAGE OF SPARTA
MORROW COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2008**

2006-019	Maintaining Records	Yes	
2006-020	Negative Fund Balances	Yes	
2006-021	Executive Sessions	Yes	
2006-022	Certification of Funds – ORC 5705.41(D)(1)	No	Reissued – Finding Number 2008-001
2006-023	Certifying a Levy	Yes	
2006-024	Bonding requirements	Yes	
2006-025	Resolutions and Ordinances	Yes	
2006-026	FFR – Elected Official’s Compensation	No	Ms. Snyder - \$331.76 and Ms. Eppich - \$125 have not repaid finding as of report date.
2006-027	FFR – Candice Baker	No	Ms. Baker - \$128.43 has not repaid finding as of report date.
2006-028	FFR – Michael Short, Mayor	No	Mr. Short - \$386.58 has not repaid finding as of report date.
2006-029	FFR – Beverly Snyder	No	Ms. Snyder - \$416.72 has not repaid finding as of report date.
2006-030	FFR – Julianna Prince	No	Ms. Prince - \$2,390.40 has not repaid finding as of report date.



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
NOVEMBER 5, 2009**