



Dave Yost • Auditor of State



VILLAGE OF SPARTA  
MORROW COUNTY

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# Dave Yost • 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.

A handwritten signature in black ink that reads "Dave Yost".

**Dave Yost**  
Auditor of State

October 11, 2011

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# Dave Yost • 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, 2010 and 2009. 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(A) mandates the Auditor of State to audit Ohio governments. In addition, from January 1, 2009 to May 25, 2010, the Auditor of State served as the Village's financial supervisor under Ohio Revised Code § 118.05 (G). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State may assume broad management powers, duties and functions under Ohio Revised Code §118.04. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 118.05 (G) requires the Auditor of State to provide these supervisory services, and Ohio Revised Code §§ 117.11(A) mandates 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, 2010 and 2009 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, 2010 and December 31, 2009, 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, 2010 and 2009, 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 October 11, 2011, 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.



**Dave Yost**  
Auditor of State

October 11, 2011



**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, 2010**

|   | <b>Governmental Fund Types</b> |                            | <b>Totals</b>                |
|---|--------------------------------|----------------------------|------------------------------|
|   | <b>General</b>                 | <b>Special<br/>Revenue</b> | <b>(Memorandum<br/>Only)</b> |
| <b>Cash Receipts:</b>   |                                |                            |                              |
| Property and Local Taxes  | \$ 7,787                       | \$ -                       | \$ 7,787                     |
| Intergovernmental   | 12,957                         | 4,448                      | 17,404                       |
| Fines, Licenses and Permits   | 584                            | -                          | 584                          |
| Earnings on Investments   | 34                             | 57                         | 91                           |
| Miscellaneous   | 540                            | -                          | 540                          |
|   | <hr/>                          | <hr/>                      | <hr/>                        |
| Total Cash Receipts   | 21,902                         | 4,504                      | 26,406                       |
|   | <hr/>                          | <hr/>                      | <hr/>                        |
| <b>Cash Disbursements:</b>  |                                |                            |                              |
| Current:  |                                |                            |                              |
| Security of Persons & Property  | 3,249                          | -                          | 3,249                        |
| Transportation  | -                              | 1,805                      | 1,805                        |
| General Government  | 12,063                         | -                          | 12,063                       |
|   | <hr/>                          | <hr/>                      | <hr/>                        |
| Total Cash Disbursements  | 15,312                         | 1,805                      | 17,117                       |
|   | <hr/>                          | <hr/>                      | <hr/>                        |
| Total Receipts Over Disbursements   | 6,590                          | 2,700                      | 9,290                        |
|   | <hr/>                          | <hr/>                      | <hr/>                        |
| <b>Other Financing Receipts:</b>  |                                |                            |                              |
| Finding For Recovery Repaid   | 650                            | -                          | 650                          |
|   | <hr/>                          | <hr/>                      | <hr/>                        |
| Excess of Cash Receipts and Other Financing<br>Receipts Over Cash Disbursements | 7,240                          | 2,700                      | 9,940                        |
|   | <hr/>                          | <hr/>                      | <hr/>                        |
| Fund Cash Balances, January 1   | 11,677                         | 24,816                     | 36,493                       |
|   | <hr/>                          | <hr/>                      | <hr/>                        |
| <b>Fund Cash Balances, December 31</b>  | <u>\$ 18,917</u>               | <u>\$ 27,516</u>           | <u>\$ 46,433</u>             |
|   | <hr/>                          | <hr/>                      | <hr/>                        |
| Reserve for Encumbrances, December 31   | <u>\$ 157</u>                  | <u>\$ -</u>                | <u>\$ 157</u>                |
|   | <hr/>                          | <hr/>                      | <hr/>                        |

*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 PROPRIETARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2010**

|  | <b>Enterprise</b> |
|--|-------------------|
| <b>Operating Cash Receipts:</b>        |                   |
| Charges for Services                   | \$ 104,095        |
| Total Operating Cash Receipts          | 104,095           |
| <b>Operating Cash Disbursements:</b>   |                   |
| Current:                               |                   |
| Personal Services                      | 19,206            |
| Employee Fringe Benefits               | 3,647             |
| Contractual Services                   | 19,871            |
| Supplies and Materials                 | 7,262             |
| Total Operating Cash Disbursements     | 49,986            |
| Operating Income                       | 54,110            |
| <b>Non-Operating Disbursements</b>     |                   |
| Capital Outlay                         | (537)             |
| Redemption of Principal                | (23,297)          |
| Interest and Other Fiscal Charges      | (7,277)           |
| Total Non-Operating Disbursements      | (31,111)          |
| Excess Receipts Over Disbursements     | 22,999            |
| Fund Cash Balances, January 1          | 64,164            |
| <b>Fund Cash Balances, December 31</b> | <b>\$ 87,163</b>  |
| Reserve for Encumbrances, December 31  | <b>\$ 328</b>     |

*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, 2009**

|   | <b>Governmental Fund Types</b> |                            | <b>Totals</b>                |
|---|--------------------------------|----------------------------|------------------------------|
|   | <b>General</b>                 | <b>Special<br/>Revenue</b> | <b>(Memorandum<br/>Only)</b> |
| <b>Cash Receipts:</b>   |                                |                            |                              |
| Property and Local Taxes  | \$ 8,039                       | \$ -                       | \$ 8,039                     |
| Intergovernmental   | 12,738                         | 4,509                      | 17,247                       |
| Fines, Licenses and Permits   | 673                            | -                          | 673                          |
| Earnings on Investments   | 37                             | 69                         | 106                          |
| Miscellaneous   | 126                            | -                          | 126                          |
|   | <hr/>                          | <hr/>                      | <hr/>                        |
| Total Cash Receipts   | \$ 21,613                      | \$ 4,579                   | \$ 26,191                    |
|   | <hr/>                          | <hr/>                      | <hr/>                        |
| <b>Cash Disbursements:</b>  |                                |                            |                              |
| Current:  |                                |                            |                              |
| Security of Persons & Property  | 2,726                          | -                          | 2,726                        |
| Transportation  | -                              | 460                        | 460                          |
| General Government  | 16,457                         | -                          | 16,457                       |
|   | <hr/>                          | <hr/>                      | <hr/>                        |
| Total Cash Disbursements  | 19,183                         | 460                        | 19,643                       |
|   | <hr/>                          | <hr/>                      | <hr/>                        |
| Total Receipts Over Disbursements   | 2,430                          | 4,119                      | 6,548                        |
|   | <hr/>                          | <hr/>                      | <hr/>                        |
| <b>Other Financing Receipts:</b>  |                                |                            |                              |
| Finding For Recovery Repaid   | 873                            | -                          | 873                          |
|   | <hr/>                          | <hr/>                      | <hr/>                        |
| Excess of Cash Receipts and Other Financing<br>Receipts Over Cash Disbursements | 3,303                          | 4,119                      | 7,422                        |
|   | <hr/>                          | <hr/>                      | <hr/>                        |
| Fund Cash Balances, January 1   | 8,374                          | 20,698                     | 29,072                       |
|   | <hr/>                          | <hr/>                      | <hr/>                        |
| <b>Fund Cash Balances, December 31</b>  | <u>\$ 11,677</u>               | <u>\$ 24,816</u>           | <u>\$ 36,493</u>             |
|   | <hr/>                          | <hr/>                      | <hr/>                        |
| Reserve for Encumbrances, December 31   | <u>\$ 145</u>                  | <u>\$ -</u>                | <u>\$ 145</u>                |
|   | <hr/>                          | <hr/>                      | <hr/>                        |

*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 PROPRIETARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2009**

|                                       | <b>Enterprise</b> |
|---------------------------------------|-------------------|
| <b>Operating Cash Receipts:</b>       |                   |
| Charges for Services                  | \$ 112,745        |
| Total Operating Cash Receipts         | \$ 112,745        |
| <b>Operating Cash Disbursements:</b>  |                   |
| Current:                              |                   |
| Personal Services                     | \$ 19,198         |
| Employee Fringe Benefits              | \$ 3,460          |
| Contractual Services                  | \$ 21,080         |
| Supplies and Materials                | \$ 7,539          |
| Total Operating Cash Disbursements    | \$ 51,279         |
| Operating Income                      | \$ 61,466         |
| <b>Non-Operating Disbursements</b>    |                   |
| Redemption of Principal               | \$ (34,513)       |
| Interest and Other Fiscal Charges     | \$ (11,383)       |
| Total Non-Operating Disbursements     | \$ (45,896)       |
| Excess Receipts Over Disbursements    | \$ 15,570         |
| Fund Cash Balance, January 1          | \$ 48,594         |
| <b>Fund Cash Balance, December 31</b> | <b>\$ 64,164</b>  |
| Reserve for Encumbrances, December 31 | \$ 328            |

*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, 2010 AND 2009**

**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, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides street maintenance and sewer utility 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 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, 2010 AND 2009  
(Continued)**

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

**D. Fund Accounting (continued)**

**3. 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 sewer service costs.

**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 2010 and 2009 budgetary activity appears in Note 3.

**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.

**VILLAGE OF SPARTA  
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**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:

|                 |           |           |
|-----------------|-----------|-----------|
|                 | 2010      | 2009      |
| Demand deposits | \$133,595 | \$100,657 |

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

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2010 and December 31, 2009 follows:

| 2010 Budgeted vs. Actual Receipts |                      |                    |           |
|-----------------------------------|----------------------|--------------------|-----------|
| Fund Type                         | Budgeted<br>Receipts | Actual<br>Receipts | Variance  |
| General                           | \$24,728             | \$22,552           | (\$2,176) |
| Special Revenue                   | 4,450                | 4,504              | 54        |
| Enterprise                        | 90,000               | 104,095            | 14,095    |
| Total                             | \$119,178            | \$131,151          | \$11,973  |

| 2010 Budgeted vs. Actual Budgetary Basis Expenditures |                            |                           |            |
|---|----------------------------|---------------------------|------------|
| Fund Type   | Appropriation<br>Authority | Budgetary<br>Expenditures | Variance   |
| General   | \$0                        | \$15,469                  | (\$15,469) |
| Special Revenue                                       | 0                          | 1,805                     | (1,805)    |
| Enterprise  | 0                          | 81,424                    | (81,424)   |
| Total   | \$0                        | \$98,698                  | (\$98,698) |

| 2009 Budgeted vs. Actual Receipts |                      |                    |           |
|-----------------------------------|----------------------|--------------------|-----------|
| Fund Type                         | Budgeted<br>Receipts | Actual<br>Receipts | Variance  |
| General                           | \$25,228             | \$22,486           | (\$2,742) |
| Special Revenue                   | 4,497                | 4,579              | 82        |
| Enterprise                        | 90,000               | 112,745            | 22,745    |
| Total                             | \$119,725            | \$139,810          | \$20,085  |

**VILLAGE OF SPARTA  
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**3. Budgetary Activity (continued)**

| 2009 Budgeted vs. Actual Budgetary Basis Expenditures |                            |                           |             |
|---|----------------------------|---------------------------|-------------|
| Fund Type   | Appropriation<br>Authority | Budgetary<br>Expenditures | Variance    |
| General   | \$0                        | \$19,328                  | (\$19,328)  |
| Special Revenue                                       | 0                          | 460                       | (460)       |
| Enterprise  | 0                          | 97,503                    | (97,503)    |
| Total   | \$0                        | \$117,291                 | (\$117,291) |

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in all funds for the years ended December 31, 2010 and 2009.

**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, 2010 was as follows:

|                                       | Principal | Interest Rate |
|---------------------------------------|-----------|---------------|
| Ohio Water Development Authority Loan | 710,194   | 1%            |

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

The Village's taxing authority collateralized the bonds.

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



**VILLAGE OF SPARTA  
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**5. Debt (continued)**

| Year ending December 31: | <u>OWDA Loan</u> |
|--------------------------|------------------|
| 2011                     | \$15,287         |
| 2012                     | 30,574           |
| 2013                     | 30,574           |
| 2014                     | 30,574           |
| 2015                     | 30,574           |
| 2016-2020                | 152,870          |
| 2021-2025                | 152,870          |
| 2026-2030                | 152,870          |
| 2031-2035                | 152,870          |
| 2036-2037                | 61,148           |
| Total                    | <u>\$810,211</u> |

**6. Retirement Systems**

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 2010 and 2009, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2010.

**7. Risk Management**

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

The Pool cedes portions of its gross contribution written to a reinsurer under excess reinsurance agreements in order to limit its losses. Treaty basis excess-of-loss contracts in force protect the Pool against losses over the retention level; at December 31, 2009, retention levels are \$100,000 and \$150,000 for property and casualty coverage, respectively.

The Pool remains liable to the extent the reinsuring companies are unable to meet their contractual obligations under reinsurance agreements.

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, 2009 and 2008 (the latest information available):

**VILLAGE OF SPARTA  
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**7. Risk Management (continued)**

|                     | <u>2009</u>        | <u>2008</u>        |
|---------------------|--------------------|--------------------|
| Assets              | \$2,109,514        | \$2,552,519        |
| Liabilities         | <u>(1,920,839)</u> | <u>(2,814,306)</u> |
| Accumulated deficit | <u>\$188,675</u>   | <u>(\$261,787)</u> |

**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, of which \$33,401 had been received as of December 31, 2008. For the years ended December 31, 2010 and December 31, 2009, restitution was received in the amount of \$650 and \$873, respectively. As of this report date, \$14,576 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. The Village was removed from Fiscal Emergency status on May 25, 2010 by the Auditor of the State of Ohio.



# Dave Yost • 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, 2010 and December 31, 2009, and have issued our report thereon dated October 11, 2011 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 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(A) mandate the Auditor of State to audit Ohio governments. In addition, from January 1, 2009 to May 25, 2010, the Auditor of State served 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 (A) 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 the purpose of expressing our opinions on the financial statements, but not for the purpose of opining 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 *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and timely corrected.

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

### **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 2010-001 and 2010-002.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated October 11, 2011.

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



**Dave Yost**  
Auditor of State

October 11, 2011

**VILLAGE OF SPARTA  
MORROW COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2010 AND 2009**

|  |
|--|
| <b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS<br/>REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b> |
|--|

**FINDING NUMBER 2010-001**

**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 Clerk/Treasurer did not certify the availability of funds prior to the purchase commitment for two of the sixteen or (13%) of expenditures tested during 2010 and seven of the sixteen or (44%) of expenditures tested during 2009 and there was no evidence that the Village followed the aforementioned exceptions.

**VILLAGE OF SPARTA  
MORROW COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2010 AND 2009  
(continued)**

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

**FINDING NUMBER 2010-001 (continued)**

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.

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 2010-002**

**Permanent Appropriations – Noncompliance**

Ohio Rev. Code Section 5705.38(A) requires on or about the first day of each fiscal year, an appropriation measure be passed. The Village may pass a temporary appropriation measure to meet their ordinary expenses until April 1st, at which time a permanent appropriation measure must be passed. Additionally, Ohio Rev. Code Section 5705.41(B) prohibits a subdivision or taxing unit from expending money unless it has been appropriated. Also, Ohio Rev. Code Section 5705.39 states that no appropriation measure shall become effective until the county auditor files with the appropriating authority a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed such official estimate or amended official estimate.

Although the minutes indicate an appropriation measure was passed, the measure was not filed with the Morrow County Auditor. As a result, total expenditures reported in fiscal year 2010 and 2009, exceeded a duly authorized appropriation measure.

Fiscal Year 2010

| Fund               | Budgetary<br>Appropriation | Expenditures | Variance    |
|--------------------|----------------------------|--------------|-------------|
| General            | \$ -                       | \$ 15,469    | \$ (15,469) |
| Street Maintenance | -                          | 1,805        | (1,805)     |
| Sewer Operating    | -                          | 75,300       | (75,300)    |
| Sewer Maintenance  | -                          | 6,124        | (6,124)     |

**VILLAGE OF SPARTA  
MORROW COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2010 AND 2009  
(continued)**

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

**FINDING NUMBER 2010-002 (continued)**

Fiscal Year 2009

| Fund              | Budgetary<br>Appropriation | Expenditures | Variance    |
|-------------------|----------------------------|--------------|-------------|
| General           | \$ -                       | \$ 19,328    | \$ (19,328) |
| Street Mainenance | -                          | 460          | (460)       |
| Sewer Operating   | -                          | 91,504       | (91,504)    |
| Sewer Maintenance | -                          | 5,999        | (5,999)     |

Failure to have adequate appropriation authority in place at the time of expenditure may result in expenditures exceeding available resources, and could resulted in deficit spending.

We recommend that the Village Council adopt a permanent appropriation measure by April 1st each year and file the appropriation measurer with the County Auditor. The Village Clerk/Treasurer should not certify the availability of funds and should deny payment requests exceeding appropriations. The Village Clerk/Treasurer may request Council to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

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

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**VILLAGE OF SPARTA  
MORROW COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2010 AND 2009**

| Finding Number | Finding Summary                              | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b> |
|----------------|--|------------------|--|
| 2008-001       | Certification of Funds                       | No               | Reissued as Finding Number 2010-001  |
| 2008-002       | Appropriations Exceeding Estimated Resources | Yes              |  |

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# Dave Yost • 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 10, 2011**