

VILLAGE OF SPARTA

MORROW COUNTY

**JANUARY 1, 2015 TO DECEMBER 31, 2016
AGREED UPON PROCEDURES**



Dave Yost • Auditor of State

Village Council
Village of Sparta
PO Box 8
Sparta, Ohio 43350

We have reviewed the *Independent Accountant's Report on Applying Agreed-Upon Procedures* of the Village of Sparta, Morrow County, prepared by Julian & Grube, Inc., for the period January 1, 2015 through December 31, 2016. Based upon this review, we have accepted this report in lieu of the audit required by Section 117.11, Revised Code.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Sparta is responsible for compliance with these laws and regulations.

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Dave Yost
Auditor of State

May 2, 2017

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Julian & Grube, Inc.
Serving Ohio Local Governments

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

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

To the Village Council and Mayor:

We have performed the procedures enumerated below, with which the Village Council and Mayor, and the management of the Village of Sparta and the Auditor of State have agreed, solely to assist the Council and Mayor in evaluating receipts, disbursements and balances recorded in their cash-basis accounting records for the years ended December 31, 2016 and 2015, and certain compliance requirements related to these transactions and balances. Management is responsible for recording transactions; and management, the Mayor, and / or the Village Council are responsible for complying with the compliance requirements. This agreed-upon procedures engagement was conducted in accordance with the American Institute of Certified Public Accountant's attestation standards and applicable attestation engagement standards included in the Comptroller General of the United States' *Government Auditing Standards*. The sufficiency of the procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

This report only describes exceptions exceeding \$10.

Cash

1. We tested the mathematical accuracy of the December 31, 2016 and December 31, 2015 bank reconciliations. We found no exceptions.
2. We agreed the January 1, 2015 beginning fund balances recorded in the Cash Summary by Fund Report to the December 31, 2014 balances in the prior year audited statements. We found no exceptions. We also agreed the January 1, 2016 beginning fund balances recorded in the Cash Summary by Fund Report to the December 31, 2015 balances in the Cash Summary by Fund Report. We found no exceptions.
3. We agreed the totals per the bank reconciliations to the total of the December 31, 2016 and 2015 fund cash balances reported in the Cash Summary by Fund Reports. The amounts agreed.
4. We confirmed the December 31, 2016 bank account balance with the Village of Sparta's financial institution. We found no exceptions. We also agreed the confirmed balances to the amounts appearing in the December 31, 2016 bank reconciliation without exception.

5. We selected five reconciling debits (such as outstanding checks) from the December 31, 2016 bank reconciliation:
 - a. We traced two debits to the subsequent January bank statement. Further, subsequent to year-end closing procedures, the Village of Sparta had received notice of a returned check, due to nonsufficient funds, as well as bank charges not previously accounted for. These transactions account for the remaining reconciling items, in the amount of \$85.80, of which, were reconciled by February 2017.
 - b. We traced the amounts and dates to the check register to determine the debits were dated prior to December 31. We noted the above reconciling debits of \$85.80 were not recorded until February 2017.
6. We selected the one reconciling credit (such as deposits in transit) from the December 31, 2016 bank reconciliation:
 - a. We did not trace the credit to a subsequent bank statement. We found no transaction in the amount of the reconciling credit.
 - b. We agreed the credit amount to the Receipt Export. The credit was recorded as a December receipt for the same amount recorded in the reconciliation due to a receipt being overstated in the amount of \$20.00. This adjusting factor was carried on the bank reconciliation until February 28, 2017.

Property Taxes and Intergovernmental Cash Receipts

1. We selected a property tax receipt from one *Statement of Semiannual Apportionment of Taxes* (the Statement) for 2016 and one from 2015:
 - a. We traced the gross receipts from the Statement to the amount recorded in the Receipt Export. The amounts agreed.
 - b. We determined whether the receipts were allocated to the proper funds as required by Ohio Rev. Code Sections 5705.05-.06 and 5705.10. We found no exceptions.
 - c. We determined whether the receipts were recorded in the proper year. The receipts were recorded in the proper year.
2. We scanned the Receipt Export to determine whether it included two real estate tax receipts for 2016 and 2015. We noted the Receipt Export included the proper number of tax receipts for each year.
3. We selected five receipts from the State Distribution Transaction Lists (DTL) from 2016 and five from 2015. We also selected five receipts from the County Auditor's Vendor Report from 2016 and five from 2015.
 - a. We compared the amount from the above reports to the amount recorded in the Receipt Export. The amounts agreed.
 - b. We determined whether these receipts were allocated to the proper fund(s). We found no exceptions.
 - c. We determined whether these receipts were recorded in the proper year. We found no exceptions.

Sewer Operating Fund Charges for Services

1. We haphazardly selected ten Sewer Operating Fund collection cash receipts from the year ended December 31, 2016 and ten Sewer Operating Fund collection cash receipts from the year ended 2015 recorded in the Receipt Export and determined whether the:
 - a. Receipt amount per the Receipt Export agreed to the amount recorded to the credit of the customer's account in the Customer Balance Detail Report. The amounts agreed.
 - b. Amount charged for the related billing period:
 - i. Agreed with the debit to accounts receivable in the Customer Balance Detail Report for the billing period. We found no exceptions.
 - ii. Did not comply with rates in force during the audit period. We found three multi-unit properties that were billed at a rate of \$57.80 per unit, a rate less than the ordinance approved rate of \$68.00.
 - c. Receipt was posted to the proper fund, and was recorded in the year received. We found no exceptions.
2. We read the A/R Aging Detail Report.
 - a. We noted this report listed \$8,249 and \$7,157 of accounts receivable as of December 31, 2016 and 2015, respectively.
 - b. Of the total receivables reported in the preceding step, \$693 and \$2,759 were recorded as more than 90 days delinquent.
3. We examined the utility billing system for a non-cash A/R adjustments report, noting the system did not have proper capabilities to process a report of this type.

Debt

1. From the prior audit documentation, we noted the following loan outstanding as of December 31, 2014. These amounts agreed to the Village of Sparta's January 1, 2015 balances on the summary we used in step 3.

Issue	Principal outstanding as of December 31, 2014:
Ohio Water Development Authority Loan	\$614,646

2. We inquired of management, and scanned the Receipt Export and Payment Export for evidence of debt issued during 2016 or 2015 or debt payment activity during 2016 or 2015. All debt noted agreed to the summary we used in step 3.
3. We obtained a summary of loan debt activity for 2016 and 2015 and agreed principal and interest payments from the related debt amortization schedule to Sewer Operating Fund payments reported in the Payment Export. We also compared the date the debt service payments were due to the date the Village of Sparta made the payments. We found no exceptions.

Payroll Cash Disbursements

1. We haphazardly selected one payroll check for five employees from 2016 and one payroll check for five employees from 2015 from the Wage Export and:
 - a. We compared the hours and pay rate, or salary recorded in the Wage Detail Report to supporting documentation (legislatively approved rate). We found no exceptions.
 - b. We determined whether the fund(s) and account code(s) to which the check was posted were reasonable based on the employees' duties as documented in the minute record. We also determined whether the payment was posted to the proper year. We found one employee paid from the General Fund and Sewer Operating Fund for which there was no approved rate of allocation.

2. For any new employees selected in step 1 we determined whether the following information in the employees' personnel files was consistent with the information used to compute gross and net pay related to this check:
 - a. Name
 - b. Authorized salary or pay rate
 - c. Department and fund to which the check should be charged
 - d. Retirement system participation and payroll withholding
 - e. Federal, State & Local income tax withholding authorization and withholding
 - f. Any other deduction authorizations (deferred compensation, etc.)

We found no exceptions related to steps a. – f. above, except the retirement system exemption form was not maintained for one employee. However, the payroll register did disclose social security withholdings for this employee.

3. We scanned the last remittance of tax and retirement withholdings for the year ended December 31, 2016 to determine whether remittances were timely paid, and if the amounts paid agreed to the amounts withheld, plus the employer's share where applicable, during the final withholding period during 2016. We noted the following:

Withholding (plus employer share, where applicable)	Date Due	Date Paid	Amount Due	Amount Paid
Federal income taxes, Medicare, and social security, for employees not enrolled in pension system	January 31, 2017	January 17, 2017 March 13, 2017	\$701.25	\$693.59 \$7.77
State income taxes	January 31, 2017	January 17, 2017	\$84.85	\$84.85
Highland school district income tax	January 31, 2017	January 17, 2017	\$10.60	\$10.60
Mount Gilead EVSD income tax	January 31, 2017	January 17, 2017	\$34.59	\$34.59
OPERS retirement	January 30, 2017	December 12, 2016	\$1,181.79	\$1,181.79

As noted above, the Village of Sparta underpaid the amount due to the Internal Revenue Service. This amount was later paid with a failure-to-pay penalty and interest charges.

Non-Payroll Cash Disbursements

1. We haphazardly selected ten disbursements from the Payment Export for the year ended December 31, 2016 and ten from the year ended 2015 and determined whether:
 - a. The disbursements were for a proper public purpose. We found no exceptions.
 - b. The check number, date, payee name and amount recorded on the returned, canceled check agreed to the check number, date, payee name and amount recorded in the Payment Export and to the names and amounts on the supporting invoices. We found no exceptions.
 - c. The payment was posted to a fund consistent with the restricted purpose for which the fund's cash can be used. We found no exceptions.
 - d. The fiscal officer certified disbursements requiring certification or issued a *Then and Now Certificate*, as required by Ohio Rev. Code Section 5705.41(D). We found one instance where the certification date was after the vendor invoice date, and there was also no evidence that a *Then and Now Certificate* was issued. We also found one instance for which the invoice date was undeterminable. Ohio Rev. Code Section 5705.41(D) requires certifying at the time of a commitment, which should be on or before the invoice date, unless a *Then and Now Certificate* is used. Because we did not test all disbursements requiring certification, our report provides no assurance whether or not additional similar errors occurred.

Compliance – Budgetary

1. We compared the total estimated receipts from the *Certificate of the Total Amount From All Sources Available For Expenditures and Balances*, required by Ohio Rev. Code Section 5705.36(A)(1), to the amounts recorded in the Revenue Status Report for the General, Street Maintenance and Sewer Operating funds for the years ended December 31, 2016 and 2015. The amounts on the Certificate agreed to the amount recorded in the accounting system, except for the General and Sewer Operating Funds. The Revenue Status Report recorded budgeted (i.e. certified) resources for the General and Sewer Operating Funds of \$87,696 and \$329,898, respectively for 2015. However, the *Certificate of the Total Amount From All Sources Available For Expenditures and Balances* reflected \$87,518 and \$329,311, respectively. The fiscal officer should periodically compare amounts recorded in the Revenue Status Report to amounts recorded on the *Certificate of the Total Amount From All Sources Available For Expenditures and Balances* to assure they agree. If the amounts do not agree, the Council may be using inaccurate information for budgeting and to monitor spending.
2. We scanned the appropriation measures adopted for 2016 and 2015 to determine whether, for the General, Street Maintenance and Sewer Operating funds, the Council appropriated separately for “each office, department, and division, and within each, the amount appropriated for personal services,” as is required by Ohio Rev. Code Section 5705.38(C). We found no exceptions.
3. We compared total appropriations required by Ohio Rev. Code Sections 5705.38 and 5705.40, to the amounts recorded in the Appropriation Status Report for 2016 and 2015 for the General, Street Maintenance and Sewer Operating funds. The amounts on the appropriation ordinances agreed to the amounts recorded in the Appropriation Status Report, except for the General and Sewer Operating Funds. The Appropriation Status Report recorded budgeted expenditures for the General and Sewer Operating Funds of \$31,130 and \$133,358, respectively for 2015. However, the appropriation ordinance reflected \$28,479 and \$131,673, respectively. The fiscal officer should periodically compare amounts recorded in the Appropriation Status Report to amounts recorded on the appropriation ordinances to assure they agree. If the amounts do not agree, the Council may be using inaccurate information for budgeting and to monitor spending.
4. Ohio Rev. Code Sections 5705.36(A)(5) and 5705.39 prohibits appropriations from exceeding the certified resources. We compared total appropriations to total certified resources for the General, Street Maintenance and Sewer Operating funds for the years ended December 31, 2016 and 2015. We noted no funds for which appropriations exceeded certified resources.

5. Ohio Rev. Code Section 5705.41(B) prohibits expenditures (disbursements plus certified commitments) from exceeding appropriations. We compared total expenditures to total appropriations for the years ended December 31, 2016 and 2015 for the General, Street Maintenance and Sewer Operating funds, as recorded in the Appropriation Status Report. We noted no funds for which expenditures exceeded appropriations.
6. Ohio Rev. Code Section 5705.09 requires establishing separate funds to segregate externally-restricted resources. We scanned the Receipt Register Report for evidence of new restricted receipts requiring a new fund during December 31, 2016 and 2015. We also inquired of management regarding whether the Village of Sparta received new restricted receipts. We noted no evidence of new restricted receipts for which Ohio Rev. Code Section 5705.09 would require the Village of Sparta to establish a new fund.
7. We scanned the 2016 and 2015 Revenue Status Reports and Appropriation Status Reports for evidence of interfund transfers which Ohio Rev. Code Sections 5705.14 - .16 restrict. We found no evidence of transfers.
8. We inquired of management and scanned the Appropriation Status Reports to determine whether the Village of Sparta elected to establish reserve accounts permitted by Ohio Rev. Code Section 5705.13. We noted the Village of Sparta did not establish these reserves.
9. We scanned the Cash Summary by Fund Report for the years ended December 31, 2016 and 2015 for negative cash fund balance. Ohio Rev. Code Section 5705.10 (I) provides that money paid into a fund must be used for the purposes for which such fund is established. As a result, a negative fund cash balance indicates that money from one fund was used to cover the expenses of another. We noted no funds having a negative cash fund balance.

Compliance – Contracts & Expenditures

We inquired of management and scanned the Payment Export for the years ended December 31, 2016 and 2015 to determine if the Village of Sparta proceeded by force account (i.e. used its own employees) to maintain or repair roads (cost of project exceeding \$30,000) or to construct or reconstruct Village of Sparta roads (cost of project \$30,000/per mile) for which Ohio Rev. Code Sections 117.16(A) and 723.52 requires the Village engineer, or officer having a different title but the duties and functions of an engineer, to complete a force account project assessment form (i.e., cost estimate). We identified no projects requiring the completion of the force account assessment form.

Other Compliance

Ohio Rev. Code Section 11 7.38 requires villages to file their financial information in the HINKLE system formerly known as the Annual Financial Data Reporting System (AFDRS) within 60 days after the close of the fiscal year. We reviewed AFDRS to verify the Village of Sparta filed their financial information within the allotted timeframe for the years ended December 31, 2016 and 2015. Financial information was filed on March 21, 2017 which was not within the allotted timeframe for 2016, while 2015 filing was completed timely.

We were not engaged to, and did not conduct an examination, the objective of which would be the expression of an opinion on the Village of Sparta's receipts, disbursements, balances and compliance with certain laws and regulations. Accordingly, we do not express an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of management, those charged with governance, the Auditor of State, and others within the Village of Sparta, and is not intended to be, and should not be used by anyone other than these specified parties.

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Julian & Grube, Inc.
March 30, 2017

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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
MAY 16, 2017