

**VILLAGE OF WHARTON
WYANDOT COUNTY, OHIO**

Financial Statements
(Audited)

For The Years Ended
December 31, 2004 and 2003

NANCY GRUBBS, CLERK/TREASURER



Mary Taylor, CPA

Auditor of State

Members of Council and Mayor
Village of Wharton
P. O. Box 266
Wharton, Ohio 43359

We have reviewed the *Independent Auditor's Report* of the Village of Wharton, Wyandot County, prepared by Julian and Grube, Inc., for the audit period January 1, 2003 through December 31, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditor's Report* on your financial statements. While the Auditor of State does not legally require your government 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. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditor's Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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 Wharton is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

April 17, 2007

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**VILLAGE OF WHARTON
WYANDOT COUNTY, OHIO**

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Julian & Grube, Inc.
Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Auditor's Report

Members of Council and Mayor
Village of Wharton
P.O. Box 266
Wharton, OH 43359

We have audited the accompanying financial statements of the Village of Wharton, Wyandot County, as of and for the years ended December 31, 2004 and 2003. These financial statements are the responsibility of the Village of Wharton'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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 2, the Village of Wharton 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.

Revisions to GAAP would require the Village of Wharton to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. While the Village of Wharton does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village of Wharton has elected not to reformat its statements. Since the Village of Wharton does not use GAAP to measure financial statement amounts, 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 year ended December 31, 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village of Wharton as of December 31, 2004, or its changes in financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash fund balances of the Village of Wharton, Wyandot County, Ohio as of December 31, 2004 and 2003 and its combined cash receipts and disbursements combined budgeted and actual receipts and budgeted and actual disbursements for the years then ended on the accounting basis Note 2 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village of Wharton to include Management's Discussion and Analysis for the year ended December 31, 2004. The Village of Wharton 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 February 5, 2007, on our consideration of the Village of Wharton'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.



Julian & Grube, Inc.
February 5, 2007

**VILLAGE OF WHARTON
WYANDOT COUNTY, OHIO**

COMBINED STATEMENT OF CASH FUND BALANCES
ALL FUND TYPES
DECEMBER 31, 2004 AND 2003

<u>Cash and Cash Equivalents</u>	<u>2004</u>	<u>2003</u>
Cash and Cash Equivalents	\$ 673,549	\$ 602,966
Total Cash and Cash Equivalents	<u>\$ 673,549</u>	<u>\$ 602,966</u>
 <u>Cash Fund Balances</u>		
<u>Governmental Fund Types:</u>		
General Fund	\$ 38,370	\$ 34,421
Special Revenue Funds	<u>42,330</u>	<u>29,140</u>
Total Governmental Funds	<u>80,700</u>	<u>63,561</u>
 <u>Proprietary Fund Type:</u>		
Enterprise Fund	<u>592,849</u>	<u>539,405</u>
Total Fund Balances	<u>\$ 673,549</u>	<u>\$ 602,966</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF WHARTON
WYANDOT COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN CASH FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>Governmental Fund Types</u>		Total (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash receipts:			
Local taxes	\$ 20,950	\$ -	\$ 20,950
Intergovernmental	8,697	15,257	23,954
Fines, licenses, and permits	915	-	915
Interest	2,524	425	2,949
Miscellaneous	609	-	609
Total cash receipts	<u>33,695</u>	<u>15,682</u>	<u>49,377</u>
Cash disbursements:			
Current:			
Security of persons and property	586	-	586
Public health services	2,318	-	2,318
Community environment	-	2,492	2,492
Basic utility services	363	-	363
General government	26,479	-	26,479
Total cash disbursements	<u>29,746</u>	<u>2,492</u>	<u>32,238</u>
Total cash receipts over cash disbursements	3,949	13,190	17,139
Cash fund balances, January 1, 2004	<u>34,421</u>	<u>29,140</u>	<u>63,561</u>
Cash fund balances, December 31, 2004	<u>\$ 38,370</u>	<u>\$ 42,330</u>	<u>\$ 80,700</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF WHARTON
WYANDOT COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN CASH FUND BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2004

	Proprietary Fund Type
	Enterprise
Operating cash receipts:	
Charges for services	\$ 198,012
Other miscellaneous	582
Total operating cash receipts	198,594
Operating cash disbursements:	
Personal services	7,196
Contractual services	126,643
Supplies and material	10,261
Capital outlay	942
Miscellaneous	395
Total operating cash disbursements	145,437
Operating income	53,157
Nonoperating cash receipts/(disbursements):	
Interest	44
Other local taxes	56
Deposits received	243
Excise tax	(56)
Total nonoperating cash receipts (disbursements)	287
Net cash receipts over cash disbursements	53,444
Cash fund balances, January 1, 2004	539,405
Cash fund balances, December 31, 2004	\$ 592,849

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF WHARTON
WYANDOT COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND ENCUMBRANCES COMPARED WITH EXPENDITURE
AUTHORITY - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2004

Fund Types	Receipts					Disbursements						
	County Certified Unencumbered Cash	Budget	Total Estimated Resources	Actual 2004 Receipts	Variance Favorable (Unfavorable)	Prior Year Carryover Appropriations	2004 Appropriations	Total	Actual 2004 Disbursements	Encumbrances Outstanding at 12/31/04	Total	Variance Favorable (Unfavorable)
Governmental:												
General	\$ -	\$ -	\$ -	\$ 33,695	\$ 33,695	\$ -	\$ 16,418	\$ 16,418	\$ 29,746	\$ -	\$ 29,746	\$ (13,328)
Special Revenue	-	-	-	15,682	15,682	-	2,500	2,500	2,492	-	2,492	8
Proprietary:												
Enterprise	-	-	-	198,937	198,937	-	95,000	95,000	145,493	-	145,493	(50,493)
Total (Memorandum Only)	\$ -	\$ -	\$ -	\$ 248,314	\$ 248,314	\$ -	\$ 113,918	\$ 113,918	\$ 177,731	\$ -	\$ 177,731	\$ (63,813)

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF WHARTON
WYANDOT COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN CASH FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>Governmental Fund Types</u>		Total (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash receipts:			
Local taxes	\$ 22,662	\$ -	\$ 22,662
Intergovernmental	11,281	13,007	24,288
Interest	4,054	463	4,517
Miscellaneous	722	-	722
Total cash receipts	<u>38,719</u>	<u>13,470</u>	<u>52,189</u>
Cash disbursements:			
Current:			
Security of persons and property	293	-	293
Public health services	818	-	818
Leisure time activities	2,118	-	2,118
Community environment	1,736	-	1,736
Basic utility services	3,636	-	3,636
Transportation	-	2,847	2,847
General government	40,536	-	40,536
Total cash disbursements	<u>49,137</u>	<u>2,847</u>	<u>51,984</u>
Total cash receipts over/(under) cash disbursements	(10,418)	10,623	205
Cash fund balances, January 1, 2003	<u>44,839</u>	<u>18,517</u>	<u>63,356</u>
Cash fund balances, December 31, 2003	<u>\$ 34,421</u>	<u>\$ 29,140</u>	<u>\$ 63,561</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF WHARTON
WYANDOT COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN CASH FUND BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2003

	Proprietary Fund Type
	Enterprise
Operating cash receipts:	
Charges for services	\$ 160,748
Total operating cash receipts	160,748
Operating cash disbursements:	
Personal services	7,156
Contractual services	120,056
Supplies and material	5,085
Capital outlay	837
Miscellaneous	301
Total operating cash disbursements	133,435
Operating income	27,313
Nonoperating cash receipts/(disbursements):	
Interest	36
Other local taxes	57
Deposits received	570
Excise tax	(57)
Deposits disbursed	(230)
Total nonoperating cash receipts/(disbursements)	376
Net cash receipts over cash disbursements	27,689
Cash fund balances, January 1, 2003	511,716
Cash fund balances, December 31, 2003	\$ 539,405

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

VILLAGE OF WHARTON
 WYANDOT COUNTY, OHIO

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
 AND ENCUMBRANCES COMPARED WITH EXPENDITURE
 AUTHORITY - BUDGET AND ACTUAL
 FOR THE YEAR ENDED DECEMBER 31, 2003

Fund Types	Receipts					Disbursements						
	County Certified Unencumbered Cash	Budget	Total Estimated Resources	Actual 2003 Receipts	Variance Favorable (Unfavorable)	Prior Year Carryover Appropriations	2003 Appropriations	Total	Actual 2003 Disbursements	Encumbrances Outstanding at 12/31/03	Total	Variance Favorable (Unfavorable)
Governmental:												
General	\$ -	\$ -	\$ -	\$ 38,719	\$ 38,719	\$ -	\$ 16,211	\$ 16,211	\$ 49,137	\$ -	\$ 49,137	\$ (32,926)
Special Revenue	-	-	-	13,470	13,470	-	2,500	2,500	2,847	-	2,847	(347)
Proprietary:												
Enterprise	-	-	-	161,411	161,411	-	94,000	94,000	133,722	-	133,722	(39,722)
Total (Memorandum Only)	\$ -	\$ -	\$ -	\$ 213,600	\$ 213,600	\$ -	\$ 112,711	\$ 112,711	\$ 185,706	\$ -	\$ 185,706	\$ (72,995)

VILLAGE OF WHARTON
WYANDOT COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

NOTE 1 - DESCRIPTION OF THE ENTITY

The Village of Wharton (the “Village”) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The Village operates under a council-mayor form of government and provides the following services: electric, street maintenance and repair, as well as other general government services.

Management believes the financial statements included in this report represent all of the funds of the Village over which the Village officials have direct operating control.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The most significant of the Village’s accounting policies are described below.

A. BASIS OF PRESENTATION - FUND ACCOUNTING

The accounts of the Village are maintained on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts. The following fund types are used by the Village.

GOVERNMENTAL FUNDS

General Fund

The general fund is used to account for all activities of the Village not required to be included in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds

These funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditure for specific purposes.

The Village had the following 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 WHARTON
WYANDOT COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Enterprise Funds

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

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

B. BASIS OF ACCOUNTING

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. BUDGETARY PROCESS

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds are legally required to be budgeted and appropriated. The primary level of budgetary control is at the item level within each fund. Any budgetary modifications at this level may only be made by resolution of the Village's Council.

VILLAGE OF WHARTON
WYANDOT COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Tax Budget:

A budget of estimated cash receipts and disbursements is submitted to the County Auditor, as secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year. All funds are legally required to be budgeted. The expressed purpose of the tax budget is to reflect the need for existing (or increased) tax rates. The Wyandot County auditor waived this requirement for 2004 and 2003.

Estimated Resources:

The County Budget Commission determines if the budget substantiates a need to levy the full amount of authorized property tax rates and reviews receipt estimates. The County Budget Commission certifies its actions to the Village by September 1. As part of this certification, the Village receives the official certificate of estimated resources, which states the projected receipts of each fund. On or about January 1, the certificate is amended to include unencumbered fund balances at December 31 of the preceding year. Further amendments may be made during the year if the Village determines that receipts collected will be greater than or less than the prior estimates, and the Budget Commission finds the revised estimates to be reasonable. Prior to December 31, the Village must revise its budget so that the total contemplated expenditures from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure.

Appropriations:

A temporary appropriation measure to control cash disbursements may be passed on or about January 1 of each year for the period January to March 31. An annual appropriation measure must be passed by April 1 of each year for the period January 1 to December 31. The appropriations measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

VILLAGE OF WHARTON
WYANDOT COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Encumbrances:

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation.

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated. There were no outstanding encumbrances at December 31, 2004 and 2003.

D. CASH AND CASH EQUIVALENTS

For reporting purposes, the Village considers "Cash and Cash Equivalents" to be cash on hand, demand deposits, and all investments held by the Village with a maturity date less than or equal to three months from the date of purchase. Interest income earned and received by the Village totaled \$2,993 and \$4,553 for the years ended December 31, 2004 and 2003, respectively.

E. PROPERTY, PLANT AND EQUIPMENT

Capital assets are not capitalized in any of the Village's funds. Instead, capital acquisition and construction costs are reflected as expenditures in the fund in the year expended. The costs of normal maintenance and repairs are also expended, along with improvements. Depreciation is not recorded by the Village.

F. INTERGOVERNMENTAL REVENUES

Intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursable basis are recorded when received in accordance with the Village's cash basis method of accounting.

G. TOTAL COLUMNS ON FINANCIAL STATEMENTS

Total columns on the financial statements are captioned "Total (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Interfund-type eliminations have not been made in the aggregation of this data.

VILLAGE OF WHARTON
WYANDOT COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

NOTE 3 - COMPLIANCE

- i.* The following funds had disbursements in excess of appropriations for the years ended December 31, 2004 and 2003, in noncompliance with Ohio Revised Code Section 5705.41 (B):

<u>Fund Type/Fund</u>	<u>2004</u>	<u>2003</u>
General Fund	\$ 13,328	\$ 32,926
<u>Special Revenue Fund Type:</u>		
Street Construction, Maintenance & Repair	-	347
<u>Enterprise Fund Type:</u>		
Electric	50,493	39,492
Utility Deposit	-	230

Disclosure is presented at the fund level due to the practicality of determining item level amounts.

- ii.* The Village did not approve permanent appropriations for the years ended December 31, 2004 and 2003 in noncompliance with Ohio Revised Code Section 5705.38.
- iii.* The Village did not certify expenditures in a timely manner for the years ended December 31, 2004 and 2003 in noncompliance with Ohio Revised Code Section 5705.41(D).
- iv.* The following funds had appropriations in excess of estimated resources for the years ended December 31, 2004 and 2003 in noncompliance with Ohio Revised Code Section 5705.39:

<u>Fund Type/Fund</u>	<u>2004</u>	<u>2003</u>
General Fund	\$ 16,418	\$ 16,211
<u>Special Revenue Fund Type:</u>		
Street Construction, Maintenance & Repair	2,500	2,500
<u>Enterprise Fund Type:</u>		
Electric	95,000	94,000

VILLAGE OF WHARTON
WYANDOT COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

NOTE 4 - CASH AND CASH EQUIVALENTS

The Village maintains a cash and investment pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and cash equivalents at December 31 was as follows:

	2004	2003
Deposits: Demand deposits	\$ 573,549	\$ 502,966
Deposits: Certificate of Deposit	100,000	100,000
Total Cash and Cash Equivalents	\$ 673,549	\$ 602,966

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation or (2) collateralized by the financial institution's public entity deposit pool.

NOTE 5 - PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the County. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State and are reflected in the accompanying financial statements as Intergovernmental Receipts. Real property taxes are payable annually or semiannually to the County. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

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

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

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

NOTE 6 - RETIREMENT SYSTEM

All employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including post-retirement healthcare and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

VILLAGE OF WHARTON
WYANDOT COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

NOTE 6 - RETIREMENT SYSTEM - (Continued)

Contribution rates are also prescribed by the Ohio Revised Code. For 2004 and 2003, OPERS members contributed 8.5% of their gross salaries. The Village contributes an amount equal to 13.55% of participants' gross salaries. The Village has made all required contributions as of December 31, 2004.

NOTE 7 - RISK MANAGEMENT

The Village is a member of the Public Entities Pool of Ohio (the Pool). The Pool assumes the risk of loss up to the limits of the Village's policy. The pool may assess supplemental premiums. The Pool covers the following risks:

- Comprehensive property and general liability
- Public Official's Liability
- Vehicles

NOTE 8 - CONTINGENT LIABILITY

LITIGATION

The Village is currently not involved in any litigation that Village's legal counsel anticipates a loss.

NOTE 9 - ECONOMIC DEPENDENCY - MAJOR CUSTOMERS

The Village sold approximately 43% and 53% of its electric to two customers during 2004 and 2003, respectively. Sales to those customers aggregated \$85,518 and \$85,558 during 2004 and 2003, respectively.



Julian & Grube, Inc.

Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Members of Council and Mayor
Village of Wharton
P.O. Box 266
Wharton, OH 43359

We have audited the financial statements of the Village of Wharton, Wyandot County, Ohio as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated February 5, 2007, wherein we noted the Village of Wharton followed accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Wharton's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted three matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions caused by error or fraud. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment could adversely affect the Village of Wharton's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2004-VOW-006, 2004-VOW-007 and 2004-VOW-008.

Members of Council and Mayor
Village of Wharton

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 2004-VOW-006, 2004-VOW-007 and 2004-VOW-008 to be material weaknesses. We also noted other matters involving the internal control over financial reporting that we have reported to the management of the Village of Wharton in a separate letter dated February 5, 2007.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of Wharton's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2004-VOW-001, 2004-VOW-002, 2004-VOW-003, 2004-VOW-004 and 2004-VOW-005. We also noted certain immaterial instances of noncompliance that we have reported to the management of the Village of Wharton in a separate letter dated February 5, 2007.

This report is intended for the information of the Council and management of the Village of Wharton and is not intended to be and should not be used by anyone other than these specified parties.



Julian & Grube, Inc.
February 5, 2007

**VILLAGE OF WHARTON
WYANDOT COUNTY, OHIO**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003**

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

Finding Number	2004-VOW-001
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Ohio Revised Code Section 117.38 requires that cash-basis entities must file annual reports within 60 days of the fiscal year end.

The Village did not file cash-basis financial statements for 2004 and 2003 with the Auditor of State's Office in a timely manner. In addition to the late filing of financial reports, the Village's management is not able to review the financial records, monitor its budget and make decisions based on accurate financial information.

The Village delays the audit and is not providing the Village management, or its taxpayers with timely financial statements by not filing annual reports within the required time.

We recommend that the Village make its best effort to complete its financial reports and submit them to the Auditor of State by the due date. We recommend that the Village contract with the Auditor of State or an independent accounting firm for guidance in completing financial statements in the event they are unable to complete them by the due date. In addition, the Village's Council should begin to review the financial records monthly and all reviewers should initial or sign the records in order to document this review. We recommend management take a more proactive role to insure the financial reports are completed timely. This may prevent future non-compliance with this law and will provide the additional assurance that the financial records are in order and are completed in a timely manner.

Client Response: The Village Clerk/Treasurer will attempt to compile financial data for subsequent years in the required format and submit to the Auditor of State's office in accordance with Ohio Revised Code.

**VILLAGE OF WHARTON
WYANDOT COUNTY, OHIO**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003**

1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2004-VOW-002

Ohio Revised Code Section 5705.41(B) requires in part that no subdivision is to expend monies unless it has been appropriated.

It was noted during the audit that the Village had disbursements in excess of appropriations in the following funds:

<u>Fund Type/Fund</u>	<u>2004</u>	<u>2003</u>
General Fund	\$ 13,328	\$ 32,926
<u>Special Revenue Fund Type:</u>		
Street Construction, Maintenance & Repair	-	347
<u>Enterprise Fund Type:</u>		
Electric	50,493	39,492
Utility Deposit	-	230

With disbursements exceeding appropriations, the Village is spending monies that have not lawfully been appropriated by Village Council. This may result in unnecessary spending.

We recommend that the Village comply with the Ohio Revised Code and the Auditor of State Bulletin 97-010 by monitoring their expenditures so they do not exceed lawful appropriations and amending the budget prior to year end. This may be achieved by monitoring the budget more closely on a continual basis.

Client Response: The Village Council will attempt to pass permanent appropriations in a timely manner in accordance with the Ohio Revised Code.

**VILLAGE OF WHARTON
WYANDOT COUNTY, OHIO**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003**

1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2004-VOW-003

It was noted during the audit that the Village did not approve permanent appropriations for the years ended December 31, 2004 and 2003 in noncompliance with Ohio Revised Code Section 5705.38.

The Village Council members approved temporary appropriations for the years ended December 31, 2004 and 2003; however, there was no evidence of permanent appropriations approved in the minutes during those years ended.

Lack of approved appropriations hinders the Village's ability to disburse monies in compliance with the Ohio Revised Code and to properly use the budgetary process as a useful management tool.

We recommend the Village Council members ensure permanent appropriations are approved and evidenced by minutes in a timely manner and at the legal level of control. This will assist the Village's management in monitoring its disbursements.

Client Response: The Village Clerk/Treasurer will provide the Council members with permanent appropriations for proper approval in the minutes.

Finding Number	2004-VOW-004
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Ohio Revised Code Section 5705.41 (D) requires that no orders or contracts involving the disbursement of monies are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

It was noted during the audit that the Village Clerk/Treasurer issued Clerk Certificates; however, many disbursements were dated prior to the certificate and the certificates were drawn off of approved temporary appropriations for the years ended December 31, 2004 and 2003.

**VILLAGE OF WHARTON
WYANDOT COUNTY, OHIO**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003**

1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2004-VOW-004 - (Continued)

Without timely certification and evidence of approved permanent appropriations of which such certifications were drawn on, the Village may expend more funds than available in the treasury, in the process of collection or than funds appropriated by the Village Council, which could potentially lead to negative fund balances. In addition, the Village may make unnecessary purchases.

We recommend that the Village Clerk/Treasurer timely certify its disbursements based on approved permanent appropriations, to insure all monies expended are lawfully appropriated and available in the treasury or in the process of collection. The Village should issue approved purchase orders and consider using blanket and super blanket purchase orders and/or "Then" and "Now" certificates where applicable.

Client Response: The Clerk/Treasurer will attempt to certify Clerk Certificates in a more timely manner based on approved permanent appropriations.

Finding Number	2004-VOW-005
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Ohio Revised Code Section 5705.39 requires that no subdivision is to appropriate more monies than estimated resources.

It was noted during the audit that for the years ended December 31, 2004 and 2003, the Village had appropriations exceeding estimated resources in the following funds:

<u>Fund Type/Fund</u>	<u>2004</u>	<u>2003</u>
General Fund	\$ 16,418	\$ 16,211
<u>Special Revenue Fund Type:</u>		
Street Construction, Maintenance & Repair	2,500	2,500
<u>Enterprise Fund Type:</u>		
Electric	95,000	94,000

**VILLAGE OF WHARTON
WYANDOT COUNTY, OHIO**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003**

1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2004-VOW-005 - (Continued)

With appropriations exceeding estimated resources, the Village is appropriating monies that are not in the treasury or in the process of collection that have been certified with the County Auditor. Thus, over appropriating may cause expenditures to increase and cause a deficit fund balance.

We recommend that the Village Clerk/Treasurer comply with the Ohio Revised Code and Auditor of State Bulletin 97-010 by monitoring appropriations so they do not exceed estimated resources. This may be achieved by monitoring the budget more closely on a continual basis and amending estimated resources or appropriations as necessary.

Client Response: The Clerk/Treasurer is attempting to monitor its budget more closely and to submit additional amendments for estimated resources or reduce its appropriations as necessary.

Finding Number	2004-VOW-006
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Based upon the results of observations made during our audit, we noted the Village has a serious lack of control and direction regarding the accounting system and overall fiscal management.

In general, an accounting and information system should be designed to provide management with accurate and timely financial information to enable well-informed business decisions to be made.

The present system lacks fiscal oversight and approvals and fails to meet the above expectations.

We strongly suggest that the Village seriously consider creating an accounting and information system that will facilitate the production of accurate financial information and related preparation of financial statements and provide for accountability of assets and the maintenance of an accurate historical record of operations. Accounting and financial information is the language of business and must be properly assessed and comprehended to allow for management to guide and direct the Village in the future.

**VILLAGE OF WHARTON
WYANDOT COUNTY, OHIO**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003**

1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2004-VOW-006 - (Continued)

Client Response: The Village Council will attempt to require financial data to be submitted for approval and review in a timely manner.

Finding Number	2004-VOW-007
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It was noted during the audit that an appropriation ledger was not maintained throughout the years ended December 31, 2004 and 2003.

It is not proper budgeting stewardness for the Village to expend monies or incur obligations without maintaining an appropriation ledger to monitor that funds have been properly appropriated for such expenditures. The Village only approved temporary appropriations for the years ended December 31, 2004 and 2003 which hindered this management tool.

We recommend that the Village Clerk/Treasurer maintain an appropriation ledger based on temporary, then permanent, then modified (if applicable) appropriations. These ledgers should be reviewed monthly by the Village Council to enable them to monitor disbursements and facilitate the making of appropriate budgetary decisions. The Village may consider consulting with an accounting firm to help monitor compliance with this requirement. We also recommend the Village consider obtaining a computerized system to help with efficiency and effectiveness throughout the year.

Client Response: The Village Council will attempt to require monthly appropriation ledgers to be completed and presented for review on a monthly basis.

Finding Number	2003-VOW-008
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It was noted during the audit that the Village does not use a computer system to account for its general accounting and payroll functions.

Lack of the use of a computer, requires numerous repetitive calculations to be performed when computing payroll, writing checks, tracking budgetary items, and etc.

We recommend that the Village investigate computerizing the Village operations.

**VILLAGE OF WHARTON
WYANDOT COUNTY, OHIO**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003**

1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2004-VOW-008 - (Continued)

This will enable the Village to more accurately be aware of its financial condition on a daily basis.

Client Response: The Village Council will investigate using computer software such as UAN for its accounting activity.

**VILLAGE OF WHARTON
WYANDOT COUNTY, OHIO**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2004 AND 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2002-VOW-001	Ohio Revised Code Section 117.38 requires that cash-basis entities must file annual reports within 60 days of the fiscal year end.	No	Repeated in 2004 as finding 2004-VOW-001.
2002-VOW-002	Ohio Revised Code Section 5705.41(B) requires in part that no subdivision is to expend monies unless it has been appropriated.	No	Repeated in 2004 as finding 2004-VOW-002.
2002-VOW-003	Ohio Revised Code Section 5705.41 (D) requires that no orders or contracts involving the expenditure of monies are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.	No	Repeated in 2004 as finding 2004-VOW-003.



Mary Taylor, CPA
Auditor of State

VILLAGE OF WHARTON

WYANDOT 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 10, 2007