

**VILLAGE OF WHARTON  
WYANDOT COUNTY, OHIO**

*Financial Statements*  
**(Audited)**

For The Years Ended  
December 31, 2010 and 2009

**WENDY STAUFFER, CLERK/TREASURER**





# Dave Yost • Auditor of State

Members of Council  
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 & Grube, Inc., for the audit period January 1, 2009 through December 31, 2010. 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 black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

July 14, 2011

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**VILLAGE OF WHARTON  
WYANDOT COUNTY, OHIO**

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**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

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### **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, Ohio, as of and for the years ended December 31, 2010 and 2009. 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 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. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 2, the Village of Wharton 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 of Wharton's larger (i.e. major) funds separately. 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 GAAP presentation requirements. The Auditor of State permits, but does not require the Village of Wharton to reformat their statements. The Village of Wharton 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 of Wharton, Wyandot County, Ohio, as of December 31, 2010 and 2009, or its changes in financial position or cash flows of its proprietary fund type 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 of the Village of Wharton, Wyandot County, as of December 31, 2010 and 2009, and its combined cash receipts and disbursements and combined budgeted and actual receipts and budgeted and actual disbursements for the years then ended on the accounting basis Note 2 describes.

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 June 29, 2011, on our consideration of the Village of Wharton's internal control over financial reporting and on 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.  
June 29, 2011

**VILLAGE OF WHARTON  
WYANDOT COUNTY, OHIO**

COMBINED STATEMENT OF CASH FUND BALANCES  
ALL FUND TYPES  
DECEMBER 31, 2010 AND 2009

<u>Cash and Cash Equivalents</u>	<u>2010</u>	<u>2009</u>
Cash and Cash Equivalents	\$ 585,394	\$ 715,937
Total Cash and Cash Equivalents	<u>\$ 585,394</u>	<u>\$ 715,937</u>
 <u>Cash Fund Balances</u>		
<u>Governmental Fund Types:</u>		
General Fund	\$ 4,884	\$ 5,638
Special Revenue Fund	88,865	77,611
Total Governmental Funds	<u>93,749</u>	<u>83,249</u>
 <u>Proprietary Fund Type:</u>		
Enterprise Funds	<u>491,645</u>	<u>632,688</u>
Total Fund Balances	<u>\$ 585,394</u>	<u>\$ 715,937</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, 2010

	<u>Governmental Fund Types</u>		Total (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash receipts:			
Local taxes	\$ 12,808	\$ -	\$ 12,808
Intergovernmental	11,314	20,843	32,157
Fines, licenses, and permits	1,606	-	1,606
Interest	1,704	62	1,766
Miscellaneous	1,197	-	1,197
Total cash receipts	<u>28,629</u>	<u>20,905</u>	<u>49,534</u>
Cash disbursements:			
Current:			
Security of persons and property	1,054	-	1,054
Public health services	2,477	-	2,477
Basic utility services	1,500	-	1,500
Transportation	-	9,651	9,651
General government	24,352	-	24,352
Total cash disbursements	<u>29,383</u>	<u>9,651</u>	<u>39,034</u>
Total cash receipts over/(under) cash disbursements	(754)	11,254	10,500
Cash fund balances, January 1, 2010	<u>5,638</u>	<u>77,611</u>	<u>83,249</u>
Cash fund balances, December 31, 2010	<u>\$ 4,884</u>	<u>\$ 88,865</u>	<u>\$ 93,749</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, 2010

	Proprietary Fund Type
	Enterprise
Operating cash receipts:	
Charges for services	\$ 235,108
Total operating cash receipts	235,108
Operating cash disbursements:	
Personal services	7,798
Contractual services	221,261
Supplies and material	12,470
Total operating cash disbursements	241,529
Operating income/(loss)	(6,421)
Nonoperating cash receipts/(disbursements):	
Interest	124
Intergovernmental revenue	1,060,046
Capital outlay	(1,252,112)
Deposits received	90
Proceeds of notes	276,312
Debt service:	
Principal	(219,082)
Total nonoperating cash receipts (disbursements)	(134,622)
Net cash receipts over/(under) cash disbursements	(141,043)
Cash fund balances, January 1, 2010	632,688
Cash fund balances, December 31, 2010	\$ 491,645

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, 2010

Fund Types	Receipts					Disbursements						
	County Certified Unencumbered Cash	Budget	Total Estimated Resources	Actual 2010 Receipts	Variance Favorable (Unfavorable)	Prior Year Carryover Appropriations	2010 Appropriations	Total	Actual 2010 Disbursements	Encumbrances Outstanding at 12/31/10	Total	Variance Favorable (Unfavorable)
Governmental:												
General	\$ 5,638	\$ 21,012	\$ 26,650	\$ 28,629	\$ 7,617	\$ -	\$ -	\$ -	\$ 29,383	\$ -	\$ 29,383	\$ (29,383)
Special Revenue	77,611	14,000	91,611	20,905	6,905	-	-	-	9,651	-	9,651	(9,651)
Proprietary:												
Enterprise	732,688	350,000	1,082,688	1,571,680	1,221,680	-	-	-	1,712,723	-	1,712,723	(1,712,723)
Total (Memorandum Only)	<u>\$ 815,937</u>	<u>\$ 385,012</u>	<u>\$ 1,200,949</u>	<u>\$ 1,621,214</u>	<u>\$ 1,236,202</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,751,757</u>	<u>\$ -</u>	<u>\$ 1,751,757</u>	<u>\$ (1,751,757)</u>

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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, 2009

	<u>Governmental Fund Types</u>		Total (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash receipts:			
Local taxes	\$ 13,246	\$ -	\$ 13,246
Intergovernmental	10,827	19,046	29,873
Fines, licenses, and permits	1,203	-	1,203
Interest	2,093	186	2,279
Miscellaneous	51	-	51
Total cash receipts	<u>27,420</u>	<u>19,232</u>	<u>46,652</u>
Cash disbursements:			
Current:			
Security of persons and property	461	-	461
Public health services	4,082	-	4,082
Basic utility services	1,726	-	1,726
Transportation	-	15,633	15,633
General government	30,632	-	30,632
Total cash disbursements	<u>36,901</u>	<u>15,633</u>	<u>52,534</u>
Total cash receipts over/(under) cash disbursements	(9,481)	3,599	(5,882)
Cash fund balances, January 1, 2009	<u>15,119</u>	<u>74,012</u>	<u>89,131</u>
Cash fund balances, December 31, 2009	<u>\$ 5,638</u>	<u>\$ 77,611</u>	<u>\$ 83,249</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, 2009

	Proprietary Fund Type
	Enterprise
Operating cash receipts:	
Charges for services	\$ 259,082
Total operating cash receipts	259,082
Operating cash disbursements:	
Personal services	6,479
Contractual services	239,375
Supplies and material	12,047
Miscellaneous	352
Total operating cash disbursements	258,253
Operating income/(loss)	829
Nonoperating cash receipts/(disbursements):	
Interest	171
Capital outlay	(108,325)
Deposits received	209
Proceeds of notes	75,931
Total nonoperating cash receipts (disbursements)	(32,014)
Net cash receipts over/(under) cash disbursements	(31,185)
Cash fund balances, January 1, 2009	663,873
Cash fund balances, December 31, 2009	\$ 632,688

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, 2009

Fund Types	Receipts					Disbursements						
	County Certified Unencumbered Cash	Budget	Total Estimated Resources	Actual 2009 Receipts	Variance Favorable (Unfavorable)	Prior Year Carryover Appropriations	2009 Appropriations	Total	Actual 2009 Disbursements	Encumbrances Outstanding at 12/31/09	Total	Variance Favorable (Unfavorable)
Governmental:												
General	\$ 15,119	\$ 27,183	\$ 42,302	\$ 27,420	\$ 237	\$ -	\$ 42,301	\$ 42,301	\$ 36,901	\$ -	\$ 36,901	\$ 5,400
Special Revenue	74,012	14,000	88,012	19,232	5,232	-	88,012	88,012	15,633	-	15,633	72,379
Proprietary:												
Enterprise	763,873	350,000	1,113,873	335,393	(14,607)	-	1,013,873	1,013,873	366,578	-	366,578	647,295
Total (Memorandum Only)	<u>\$ 853,004</u>	<u>\$ 391,183</u>	<u>\$ 1,244,187</u>	<u>\$ 382,045</u>	<u>\$ (9,138)</u>	<u>\$ -</u>	<u>\$ 1,144,186</u>	<u>\$ 1,144,186</u>	<u>\$ 419,112</u>	<u>\$ -</u>	<u>\$ 419,112</u>	<u>\$ 725,074</u>

**VILLAGE OF WHARTON  
WYANDOT COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

**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, sewer, 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 FUND TYPES**

**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 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 WHARTON  
WYANDOT COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

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

PROPRIETARY FUND TYPE

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 funds:

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

*Sewer 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 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 object level within a department and 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, 2010 AND 2009

**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 2010 and 2009.

*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. The Village did not approve appropriations for the year ended December 31, 2010.

**VILLAGE OF WHARTON  
WYANDOT COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

**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. The Village did not use the encumbrance method of accounting.

**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 \$1,890 and \$2,450 for the years ended December 31, 2010 and 2009, 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, 2010 AND 2009**

**NOTE 3 - COMPLIANCE**

- i.* The Village was not able to provide evidence that an ordinance or resolution authorizing the necessary tax levies was performed in a timely manner, or authorized to the County Auditor contrary to Ohio Revised Code Section 5705.34 for the years ended December 31, 2010 and 2009.
- ii.* The Village did not approve permanent appropriations contrary to Ohio Revised Code Section 5705.38 for the year ended December 31, 2010.
- iii.* The Village did not certify the proper unencumbered fund balances in their certificate of available resources with the County Auditor contrary to Ohio Revised Code Section 5705.36 for the years ended December, 31 2010 and 2009.
- iv.* The Village had appropriations exceeding actual resources contrary to Ohio Revised Code Section 5705.36(A)(4) for the year ended December 31, 2009.
- v.* The Village had appropriation in excess of estimated resources contrary to Ohio Revised Code Section 5705.39 for the year ended December 31, 2009.
- vi.* The Village had disbursements in excess of appropriations contrary to Ohio Revised Code Sections 5705.41(B) and 5705.40 for the years ended December 31, 2010 and 2009.
- vii.* The Village did not certify expenditures in a timely manner contrary to Ohio Revised Code Section 5705.41(D) for the years ended December 31, 2010 and 2009.
- viii.* The Village held funds of varying amounts greater than 3 business days without depositing such funds contrary to Ohio Revised Code Section 9.38 for the years ended December 31, 2010 and 2009.

**VILLAGE OF WHARTON  
WYANDOT COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

**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:

	<u>2010</u>	<u>2009</u>
Deposits: Demand deposits	\$ 485,394	\$ 615,937
Deposits: Certificate of Deposit	<u>100,000</u>	<u>100,000</u>
Total Cash and Cash Equivalents	<u>\$ 585,394</u>	<u>\$ 715,937</u>

*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 - DEBT OBLIGATIONS**

At December 31, debt obligations consisted of the following issuances:

<u>Description</u>	<u>Balance 12/31/10</u>	<u>Balance 12/31/09</u>
2007 Ohio Water Development Authority (OWDA) interest-free note for sewer system, due in annual installments through 2015	\$ -	\$ 162,811
2010 Ohio Water Development Authority (OWDA) note for sewer system, due in annual installments of varying amounts through 2041, bearing an interest rate of 1.5%	<u>220,041</u>	<u>-</u>
Total debt obligations	<u>\$ 220,041</u>	<u>\$ 162,811</u>

**VILLAGE OF WHARTON  
WYANDOT COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

**NOTE 5 - DEBT OBLIGATIONS - (Continued)**

Transactions for the years ended December 31, 2010 and 2009 are summarized as follows:

<u>2010</u>	<u>Balance</u> <u>01/01/10</u>	<u>Proceeds</u>	<u>Principal</u> <u>Retirement</u>	<u>Balance</u> <u>12/31/10</u>
2007 OWDA	\$ 162,811	\$ 56,271	\$(219,082)	\$ -
2010 OWDA	<u>          -</u>	<u>  220,041</u>	<u>          -</u>	<u>  220,041</u>
Total	<u>\$ 162,811</u>	<u>\$276,312</u>	<u>\$(219,082)</u>	<u>\$ 220,041</u>
<u>2009</u>	<u>Balance</u> <u>01/01/09</u>	<u>Proceeds</u>	<u>Principal</u> <u>Retirement</u>	<u>Balance</u> <u>12/31/09</u>
2007 OWDA	\$ 86,880	\$ 75,931	\$ -	\$ 162,811
Total	<u>\$ 86,880</u>	<u>\$ 75,931</u>	<u>\$ -</u>	<u>\$ 162,811</u>

In 2007, the Village entered an agreement to receive a loan from OWDA to cover the design and planning costs of two sewer projects. The remaining balance of this loan was received February 18, 2010 and total principal in the amount of \$219,082 was to be paid back over a 5-year period ending January 1, 2015. On July 23, 2010, the Village refinanced this loan agreement with OWDA, which extended the payback period to 30 years. Due to the refinancing agreement, the original 5-year loan was closed and recorded as principal retirement. The reissuance of the 30-year loan was recorded as proceeds of notes in the amount of \$220,041, which includes a \$959 refinancing fee charged by OWDA.

**NOTE 6 - PROPERTY TAX**

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

**VILLAGE OF WHARTON  
WYANDOT COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

**NOTE 6 - PROPERTY TAX - (Continued)**

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property was eliminated in calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the Village due to the phasing out of the tax. In calendar years 2006-2010, the Village will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

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

**NOTE 7 - 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.

Contribution rates are also prescribed by the Ohio Revised Code. For 2010 and 2009, OPERS members contributed 10% of their gross salaries. The Village contributed an amount equal to 14% of participants' gross salaries for both 2010 and 2009. The Village has made all required contributions as of December 31, 2010.

**NOTE 8 - RISK MANAGEMENT**

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

**VILLAGE OF WHARTON  
WYANDOT COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

**NOTE 8 - RISK MANAGEMENT - (Continued)**

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides casualty and property insurance for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2010, PEP retained \$350,000 for casualty claims and \$150,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claim payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Assets	\$ 34,952,010	\$ 36,374,898
Liabilities	<u>(14,320,812)</u>	<u>(15,256,862)</u>
Net assets	<u>\$ 20,631,198</u>	<u>\$ 21,118,036</u>

The assets above include approximately \$12.4 million and \$13.7 million of unpaid claims to be billed to approximately 454 member governments in the future, as of December 31, 2010 and 2009, respectively.

**VILLAGE OF WHARTON  
WYANDOT COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

**NOTE 8 - RISK MANAGEMENT - (Continued)**

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

<u>Contributions to PEP</u>	
2008	\$ 2,636
2009	2,712
2010	1,333

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

**NOTE 9 - CONTINGENT LIABILITY**

LITIGATION

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

**NOTE 10 - ECONOMIC DEPENDENCY MAJOR - CUSTOMERS**

The Village sold approximately 25% of its electric to one customer during 2010, and approximately 38% of its electric to two customers during 2009. Also, sales to those customers aggregated approximately \$45,000 and \$76,000 during 2010 and 2009, respectively.



**VILLAGE OF WHARTON  
WYANDOT COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

**NOTE 11 - SUBSEQUENT EVENT**

On January 27, 2011, the Village entered into a zero interest loan agreement with the Ohio Water and Development Authority for a wastewater system upgrade in the amount of \$156,243.

**NOTE 12 - FINANCIAL CONDITION**

For the year ended December 31, 2010, the Village maintained a general fund balance of \$4,884. Further, the general fund balance has steadily declined each year since the fiscal year ended December 31, 2007. The Village's management is aware of the issue and has enacted certain cost saving measures. However, a formal plan has not been implemented as of the date of this report.



## **Julian & Grube, Inc.**

*Serving Ohio Local Governments*

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### **Independent Accountants' 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, 2010 and 2009, and have issued our report thereon dated June 29, 2011, 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 as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village of Wharton's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village of Wharton's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies, or material weaknesses. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

Members of Council and Mayor  
Village of Wharton

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 deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Village of Wharton's financial statements will not be prevented, or detected and timely corrected. We consider findings 2010-VOW-001 through 2010-VOW-005 and 2010-VOW-007 and 2010-VOW-013 described in the accompanying schedule of findings and responses to be material weaknesses.

#### Compliance and Other Matters

As part of reasonably assuring whether the Village of Wharton'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 nine instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings and responses as items 2010-VOW-006 through 2010-VOW-014.

The Village of Wharton's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Village of Wharton's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of the management and the Council 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.  
June 29, 2011

**VILLAGE OF WHARTON  
WYANDOT COUNTY, OHIO**

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

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>	
Finding Number	2010-VOW-001

**Material Weakness - Financial Statement Presentation**

The Village had receipts and disbursements that were posted incorrectly according to the Village Handbook and the Ohio Revised Code.

The following adjustments were necessary to properly state the Village's financial statements for the years ended December 31, 2010 and 2009:

**General Fund:**

- For the year ended December 31, 2010, increase local tax receipts and decrease intergovernmental receipts in the amount of \$1,024 to properly record property tax receipts. A similar adjustment was necessary for the year ended December 31, 2009 in the amount of \$1,551.
- For the year ended December 31, 2010, increase local tax receipts in the amount of \$1,426, increase general government disbursements in the amount of \$399, and increase public health disbursements in the amount of \$1,027 to properly record property taxes at gross and to properly record deductions from property taxes as disbursements. Similar adjustments were necessary for the year ended December 31, 2009; increase local tax receipts in the amount of \$893, increase general government disbursements in the amount of \$129, and increase public health disbursements in the amount of \$764.
- For the year ended December 31, 2010, increase fines, licenses, and permit receipts and decrease local tax receipts in the amount of \$1,606 to properly record cable franchise fees. A similar adjustment was necessary for the year ended December 31, 2009 in the amount of \$613.
- For the year ended December 31, 2009, increase fines, licenses, and permit receipts and decrease miscellaneous receipts in the amount of \$590 to properly record cable franchise fees.

**VILLAGE OF WHARTON  
WYANDOT COUNTY, OHIO**

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

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>	
Finding Number	2010-VOW-001 - (Continued)

- For the year ended December 31, 2010, increase local tax receipts and decrease intergovernmental receipts in the amount of \$10,358 to properly record KWh taxes. This is a surplus tax assessed on each resident’s electric bill and therefore should be recorded as local taxes. A similar adjustment was necessary for the year ended December 31, 2009 in the amount of \$10,802.
- For the year ended December 31, 2010, decrease miscellaneous receipts and decrease in cash in the amount of \$41,168 to properly record a refund of a disbursement.

**Enterprise Fund Types:**

**Sewer Fund:**

- For the year ended December 31, 2010, decrease capital outlay disbursements and an increase in cash in the amount of \$41,168 to properly record a refund of disbursement.
- For the year ended December 31, 2010, increase personal service disbursements and decrease transportation disbursements in the amount of \$1,387 to properly record payroll and benefits.
- For the year ended December 31, 2010, increase charges for service receipts and increase cash in the amount of \$55,755 to properly record fees the Village charged for providing sewer services to Village residents that were erroneously recorded as receipts in the electric fund.
- For the year ended December 31, 2010, increase intergovernmental receipts and decrease proceeds of notes in the amount of \$179,554 to properly record grant money received from the Ohio Water Development Authority (OWDA).
- For the year ended December 31, 2010, increase intergovernmental receipts and increase capital outlay disbursements in the amount of \$880,492 to properly record on-behalf payments made from OWDA to various vendors for sewer projects.
- For the year ended December 31, 2010, increase proceeds of note receipts and increase principal retirement disbursements in the amount of \$219,082 to properly record the refinancing of a note from OWDA from a 5-year to a 30-year note.

**VILLAGE OF WHARTON  
WYANDOT COUNTY, OHIO**

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

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>	
<b>Finding Number</b>	2010-VOW-001 - (Continued)

- For the year ended December 31, 2010, increase proceeds of note receipts and increase capital outlay disbursements in the amount of \$959 to properly record a loan fee assessed by OWDA as a result of refinancing from a 5-year to a 30-year note.

**Electric Fund:**

- For the year ended December 31, 2010, decrease charges for service receipts and decrease in cash in the amount of \$55,755 to properly record fees the Village charged for providing sewer services to Village residents that were erroneously recorded as receipts in the electric fund.
- For the year ended December 31, 2009, increase miscellaneous disbursements and decrease contingency disbursements in the amount of \$352 to properly record miscellaneous payments made by the Village.

The audited financial statements and Village records have been adjusted for the misstatements above.

In general, an accounting and information system should be designed to provide management with accurate and timely information to enable well-informed business decisions to be made. The present system lacks fiscal oversight and approvals and fails to meet the above exceptions.

We recommend the Village consult with their auditors, an accounting/consulting firm, the Village Handbook and the Ohio Municipal League and consider obtaining an overall review of the financial statements and notes prior to submitting to the auditor as an additional internal control to help ensure accurate financial reporting.

*Client Response:* The Clerk/Treasurer continues to work to provide a sound fiscal environment for the Village.

**VILLAGE OF WHARTON  
WYANDOT COUNTY, OHIO**

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

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>	
Finding Number	2010-VOW-002

**Material Weakness - Supporting Documentation**

The Village did not properly maintain supporting documentation for all Village receipts and disbursements for the years ended December 31, 2010 and 2009.

Of the 2010 and 2009 disbursements examined, 5 of 36 and 7 of 55, respectively, lacked proper support, such as a related invoice and/or a voucher describing the transaction. These disbursements were determined to be reasonable after observing documentation provided by the vendor to whom payment was made.

We recommend the Village incorporate a system where all supporting documentation is kept and filed in an organized filing system so it is easily accessible.

*Client Response:* The Clerk/Treasurer will begin maintaining all required documentation in an orderly fashion.

Finding Number	2010-VOW-003
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**Material Weakness - Cash Reconciliation**

The Village did not properly perform bank reconciliations for the years ended December 31, 2010 and 2009.

The Village maintains a separate bank statement for their electric fund. Shortly after the end of every month, the Village records the amount credited to the bank statement as electric utility receipts within their fiscal system. This causes the Village's bank balance and book balance to be the exact same. Also, the Village is not timely posting receipts and disbursements to their fiscal system as they occur.

By relying strictly on the bank statements, the Village will not recognize any discrepancies that may exist between the bank's records and the Village's records. Also, by not timely posting transactions to the Village's fiscal system, it becomes difficult to monitor the true cash fund balances within the Village, due to timing differences between when the transaction occurs and when the transaction is recorded by the bank.

**VILLAGE OF WHARTON  
WYANDOT COUNTY, OHIO**

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

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>	
Finding Number	2010-VOW-003 - (Continued)

We recommend that the Village record every receipt and disbursement when it occurs, and then reconcile total monthly receipts and disbursements against the bank’s balance noting any discrepancies. The reconciliation and all supporting documentation should then be presented to the Village Council for their approval. A member of Village Council should review the bank reconciliation for any unusual items and document their approval by initialing the reconciliation. This may significantly improve the system of checks and balances to enhance cash controls.

*Client Response:* The Clerk/Treasurer is aware of the importance of posting Village activity in a timely manner and will make an effort to maintain accurate Village records including proper bank reconciliations.

Finding Number	2010-VOW-004
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**Material Weakness - Utility Billing, Collections and Adjustments**

A policy over non-cash adjustments and write-offs and a formal review process over the system-generated utility reports are essential to ensure proper financial reporting. The Village should maintain a policy over non-cash adjustments and write-offs, as to limitations on amounts that can be adjusted and approval of such adjustments. The Village should also review all system-generated utility reports to ensure amounts, such as collections, late fees assessed, as well as customer balances are accurate.

The Village Clerk/Treasurer currently inputs all collections into the Village’s utility system, such as consumption, collections, and adjustments to resident accounts. However, no review of the information input into the system is completed other than by the Clerk/Treasurer. If a discrepancy is found, the Clerk/Treasurer goes into the utility system and makes the changes, usually via a miscellaneous charge, which does not require any approval from higher authority.

Failure to have an oversight review of the billings, collections, and approval of non-cash adjustments with an appropriate trail of evidence may result in improper billings and the Village may not bill and receive the correct amounts. Further, the lack of a formal review hinders management’s ability to effectively monitor usage and the related revenues.



**VILLAGE OF WHARTON  
WYANDOT COUNTY, OHIO**

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

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>	
Finding Number	2010-VOW-004 - (Continued)

We recommend the Village develop a formal review process over the system-generated utility reports with an independent, documented review. Any discrepancies discovered during the review process need to be documented, and then corrected after a proper documented approval is obtained. We also recommend the Village develop a policy over non-cash adjustments that can be made to an account, as well as proper approval by a Council member.

*Client Response:* The Village will establish a written policy over monitoring utility activity. Any adjustments or payment issues will be approved by a Council member.

Finding Number	2010-VOW-005
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**Material Weakness - Village Council Oversight**

Appropriate financial reports were not provided to the Village Council to assist Council in monitoring financial operations. There is also a lack of control and direction regarding the accounting system and overall fiscal management.

The Village Council should monitor the financial operations of the Village regularly. Such monitoring should include review of budget versus actual data, detailed receipt reports, detailed expenditure reports, review and approval of salary schedules, and cash journals.

Monitoring should be performed to ensure that management's objectives are being achieved, including operational, legal compliance, and financial control objectives. Effective monitoring should entail identifying unexpected results or exceptions (including significant compliance exceptions), investigating underlying causes, and taking corrective action.

**VILLAGE OF WHARTON  
WYANDOT COUNTY, OHIO**

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

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>	
Finding Number	2010-VOW-005 - (Continued)

To assist management in detecting potential material financial and/or compliance transactions that may affect financial operations, we recommend the Village Council become more involved in the review and monitoring of the Village financial operations. Some of the methods of monitoring may consist of, but may not be limited to, the following:

- Regular review of monthly budget to actual figures;
- Regular review of financial report summaries of sufficient detail (monthly detailed receipts, expenditures, and fund balance reports and their respective fluctuations);
- Review of receipts/expenditures with independently accumulated information (budgets, past performance, etc.);
- Review of all expenditures;
- Review of unusual or significant items, long outstanding items, and;
- Review of monthly bank reconciliations.

*Client Response:* The Clerk/Treasurer has the reports available upon request from Village Council. The Village Council will develop a listing of relevant financial reports that they would like to review on a monthly basis.

Finding Number	2010-VOW-006
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Ohio Revised Code Section 5705.34 requires that each taxing authority is to pass an ordinance or resolution to authorize the necessary tax levies. Each municipality is to certify the levies to the County Auditor before April 1, unless a later date is approved by the tax commissioner.

The Village was not able to provide documentation that they authorized the necessary tax levies and certified them to the County Auditor for the years ended December 31, 2010 and 2009.

Without timely certification, the Village is not verifying the tax levies related to the Village, and thus the County Auditor does not have sufficient information to assess taxes on the Village residents.

**VILLAGE OF WHARTON  
WYANDOT COUNTY, OHIO**

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

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>	
Finding Number	2010-VOW-006 - (Continued)

We recommend that Council adopt approval and retention procedures for the tax rate certifications and include these procedures in an accounting policies and procedures manual. We recommend that the Clerk/Treasurer develop a tickler file including all significant due dates of the budgeting process.

*Client Response:* The Clerk/Treasurer will closely monitor all due dates of the budgeting process to ensure the necessary tax levies are timely certified to the County Auditor.

Finding Number	2010-VOW-007
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**Noncompliance/Material Weakness**

The Village did not approve permanent appropriations for the year ended December 31, 2010 contrary to Ohio Revised Code Section 5705.38.

The Village Council members approved temporary appropriations for the year ended December 31, 2010; however, there was no evidence of permanent appropriations approved in the minutes for 2010.

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 in the Village’s 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:* In the future Council will be provided in a timely manner with permanent appropriations for proper approval and evidence such in the minutes.

**VILLAGE OF WHARTON  
WYANDOT COUNTY, OHIO**

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

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>	
Finding Number	2010-VOW-008

Ohio Revised Code Sections 5705.36, in part, requires the Clerk/Treasurer to certify to the County Auditor the total amount from all sources which are available for expenditures from each fund in the tax budget along with any unencumbered balances that existed at the end of the preceding year.

The Village did not file the proper unencumbered balances in their certificate of available resources with the County Auditor for the years ended December 31, 2010 and 2009. The Village included certificates of deposits totaling \$100,000 as a separate line item on their certification to the County Auditor. This \$100,000 was also included within the certification as part of the electric fund unencumbered balance; therefore, the amount is included twice.

By not certifying accurate unencumbered balances, the Village does not have proper estimated resources in which to appropriate against within certain funds, which could cause appropriations to exceed estimated resources.

We recommend that the Village properly certify all fund balances after careful review of any prior year reclassifications made. This will enable the County Auditor to perform the proper certification with accurate information. This will in turn allow the Village to properly appropriate funds within the available resources.

*Client Response:* The Clerk/Treasurer will review fund balances in the future to ensure that amounts certified to the County Auditor are accurate.

Finding Number	2010-VOW-009
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Ohio Revised Code Section 5705.36 (A)(4) states that upon a determination by the Clerk/Treasurer of a subdivision that the revenue to be collected by the subdivision will be less than the amount included in an official certificate and that the amount of the deficiency will reduce available resources below the level of current appropriations, the Clerk/Treasurer shall certify the amount of the deficiency to the commission, and the commission shall certify an amended certificate reflecting the deficiency.

**VILLAGE OF WHARTON  
WYANDOT COUNTY, OHIO**

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

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>	
Finding Number	2010-VOW-009 - (Continued)

For the year December 31, 2009, the Village had appropriations greater than actual resources in the following fund:

<u>Fund Type/Fund</u>	<u>Actual Resources</u>	<u>Appropriations</u>	<u>Excess</u>
<u>Enterprise:</u>			
Electric Fund	\$ 672,718	\$ 1,013,875	\$ 341,157

By appropriating more funds than actual resources, the Village is at risk of spending more money than is available; this may result in negative fund balances.

We recommend the Village monitor estimated resources in comparison with actual resources and appropriations, and if necessary, obtain a decreased amended certificate and amend their appropriations accordingly.

*Client Response:* The Village Council will attempt to approve and modify appropriations in a timely manner in accordance with the Ohio Revised Code.

Finding Number	2010-VOW-010
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Ohio Revised Code Section 5705.39 states that total appropriations from each fund shall not exceed total estimated resources.

For the year December 31, 2009, the Village had appropriations greater than estimated resources in the following fund:

<u>Fund Type/Fund</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Excess</u>
<u>Enterprise:</u>			
Electric Fund	\$ 770,153	\$ 1,013,875	\$ 243,722

**VILLAGE OF WHARTON  
WYANDOT COUNTY, OHIO**

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

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>	
Finding Number	2010-VOW-010 - (Continued)

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

We recommend that the 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 will attempt to update estimated revenues on a more timely basis.

Finding Number	2010-VOW-011
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Ohio Revised Code Section 5705.41(B) requires in part that no subdivision is to expend monies unless it has been appropriated.

For the year ended December 31, 2010, all funds' expenditures exceeded appropriations due to not approving permanent appropriations.

For the year ended December 31, 2009, the following fund had expenditures which exceeded appropriations:

<u>Fund Type/Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
<u>Enterprise:</u>			
Sewer Fund	\$ -	\$ 108,325	\$ 108,325

Disclosure is presented at the fund level due to the impracticality of disclosing object level amounts.

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

**VILLAGE OF WHARTON  
WYANDOT COUNTY, OHIO**

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

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>	
Finding Number	2010-VOW-011 - (Continued)

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 approve and modify appropriations in a timely manner in accordance with the Ohio Revised Code.

Finding Number	2010-VOW-012
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Ohio Revised Code Section 5705.40 outlines the requirements for amending and supplementing appropriations. This section requires that any amendments to an appropriation measure must be made by Council resolution and comply with the same provisions of the law as used in making the original appropriations.

The Village did not properly modify its appropriations throughout the years ended December 31, 2010 and 2009.

By not timely and properly modifying the Village's appropriations, the potential to overspend in certain funds exists.

We recommend that the Village comply with the Ohio Revised Code and monitor appropriations and certified resources to ensure proper budgeting and to prevent excess spending. In addition, the Village's Council and Board of Public Affairs should begin to review the Village's financial records at least quarterly and all reviewers should initial or sign the records in order to document this review.

*Client Response:* The Village will monitor its appropriations versus expenditures on a monthly basis.

**VILLAGE OF WHARTON  
WYANDOT COUNTY, OHIO**

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

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>	
Finding Number	2010-VOW-013

**Noncompliance/Material Weakness**

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.

The Village Clerk/Treasurer did not issue such certificates for the years ended December 31, 2010 and 2009.

Without timely certification and evidence of approved permanent or temporary appropriations of which such certifications are drawn on, the Village may expend more funds than available in the treasury, in the process of collection, or 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 ensure 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 Village Council examines and approves all bills prior to payment. The Clerk/Treasurer will attempt to issue Clerk Certificates.

Finding Number	2010-VOW-014
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Ohio Revised Code Section 9.38 requires that deposits of public money be made in a timely manner. Public money must be deposited to the public office or to a designated depository the business day following the day of receipt if the deposit is over \$1,000. If the amount of daily receipts does not exceed \$1,000 and the receipts can be safeguarded, a policy may be adopted permitting officials to hold deposits of less than \$1,000 up to 3 business days.



**VILLAGE OF WHARTON  
WYANDOT COUNTY, OHIO**

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

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>	
Finding Number	2010-VOW-014 – (Continued)

The Village held funds of varying amounts greater than 3 business days without depositing them in accordance with the Ohio Revised Code Section 9.38. The receipts primarily consisted of collections from electric and sewer utilities.

As a result, there is a risk of loss from burglary, misplacement, or misappropriation, and the cash is not available from expenditures or investment.

We recommend that the Village monitor its collections and ensure that monies are deposited timely. This will improve cash flow and reduce the risk of loss.

*Client Response:* The Clerk/Treasurer will attempt to deposit funds within the time period allowed by the Ohio Revised Code.

**VILLAGE OF WHARTON  
WYANDOT COUNTY, OHIO**

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

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:</b>
2008-VOW-001	<u>Significant Deficiency/Material Weakness</u> - The Village had receipts and disbursements that were posted incorrectly in accordance with the Village Handbook and the Ohio Revised Code.	No	Repeated as finding 2010-VOW-001
2008-VOW-002	<u>Significant Deficiency/Material Weakness</u> - Appropriate financial reports were not provided to the Village Council to provide effective monitoring over financial operations.	No	Repeated as finding 2010-VOW-005
2008-VOW-003	Ohio Revised Code Section 5705.41(B) requires that no subdivision is to expend monies unless it has been appropriated.	No	Repeated as finding 2010-VOW-011
2008-VOW-004	The Village did not approve permanent appropriations for the year ended December 31, 2007, in noncompliance with Ohio Revised Code Section 5705.38.	No	Repeated as finding 2010-VOW-007

**VILLAGE OF WHARTON  
WYANDOT COUNTY, OHIO**

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

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:</b>
2008-VOW-005	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.	No	Repeated as finding 2010-VOW-013
2008-VOW-006	Ohio Revised Code Section 5705.36(A)(4) states that upon determination by the Fiscal Officer of a subdivision that the revenue to be collected by the subdivision will be less than the amount included in an official certificate and that the amount of the deficiency will reduce available resources below the level of current appropriations, the Fiscal Officer shall certify the amount of the deficiency to the commission and the commission shall certify an amended certificate reflecting the deficiency.	No	Repeated as finding 2010-VOW-009

**VILLAGE OF WHARTON  
WYANDOT COUNTY, OHIO**

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

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:</b>
2008-VOW-007	Ohio Administrative Code Section 117-2-02(D) specifies the required accounting records that must be maintained, one of which is an appropriation ledger.	Yes	N/A
2008-VOW-008	Ohio Revised Code Section 5705.40 outlines the requirements for amending and supplementing appropriations.	No	Repeated as finding 2010-VOW-012



# Dave Yost • 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  
JULY 26, 2011