

313 Second St.  
Marletta, OH 45750  
740.373.0056

1907 Grand Central Ave.  
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104 South Sugar St.  
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740.695.1569

1310 Market Street, Suite 300  
Wheeling, WV 26003  
304.232.1358



**VILLAGE OF WHARTON  
WYANDOT COUNTY  
Regular Audit  
For the Years Ended December 31, 2016 and 2015**

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# Dave Yost • Auditor of State

Village 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 Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2015 through December 31, 2016. 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.

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

March 1, 2018

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VILLAGE OF WHARTON  
WYANDOT COUNTY

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## INDEPENDENT AUDITOR'S REPORT

November 29, 2017

Village of Wharton  
Wyandot County  
PO Box 266  
Wharton, Ohio 43359

To the Village Council:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the **Village of Wharton**, Wyandot County, (the Village) as of and for the years ended December 31, 2016 and 2015.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

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***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 2 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2016 and 2015, or changes in financial position or cash flows thereof for the years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Wharton, Wyandot County, as of December 31 2016 and 2015, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2017, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



**Perry and Associates**  
Certified Public Accountants, A.C.  
Marietta, Ohio



**VILLAGE OF WHARTON  
WYANDOT COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts:</b>			
Property and Other Local Taxes	\$ 2,895	\$ -	\$ 2,895
Intergovernmental	34,967	43,342	78,309
Earnings on Investments	63	7	70
Miscellaneous	5,996	-	5,996
	<u>43,921</u>	<u>43,349</u>	<u>87,270</u>
<b>Total Cash Receipts</b>			
<b>Cash Disbursements:</b>			
Current:			
Public Health Services	99	-	99
Transportation	-	1,978	1,978
General Government	22,183	-	22,183
Capital Outlay	-	2,536	2,536
	<u>22,282</u>	<u>4,514</u>	<u>26,796</u>
<b>Total Cash Disbursements</b>			
<i>Net Change in Fund Cash Balances</i>	21,639	38,835	60,474
<i>Fund Cash Balances, January 1</i>	<u>19,158</u>	<u>57,668</u>	<u>76,826</u>
<b>Fund Cash Balances, December 31</b>			
Restricted	-	96,503	96,503
Assigned	40,797	-	40,797
	<u>40,797</u>	<u>96,503</u>	<u>137,300</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 40,797</u>	<u>\$ 96,503</u>	<u>\$ 137,300</u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF WHARTON  
WYANDOT COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)  
ALL PROPRIETARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$ 257,155
Total Operating Cash Receipts	257,155
<b>Operating Cash Disbursements:</b>	
Personal Services	10,156
Transportation	6,908
Contractual Services	139,660
Supplies and Materials	4,806
Capital Outlay	2,970
Total Operating Cash Disbursements	164,500
Operating Income	92,655
<b>Non-Operating Receipts (Disbursements):</b>	
Earnings on Investments	29
Principal Retirement	(28,097)
Interest and Other Fiscal Charges	(2,891)
Other Financing Uses	(5,602)
Total Non-Operating Receipts (Disbursements)	(36,561)
<i>Net Change in Fund Cash Balances</i>	56,094
<i>Fund Cash Balances, January 1</i>	463,896
<i>Fund Cash Balances, December 31</i>	\$ 519,990

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF WHARTON  
WYANDOT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

**Note 1 – Reporting Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Wharton, Wyandot County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides electric and sewer utilities, street maintenance repair, as well as other general government services.

The Village participates in the Public Entities Pool of Ohio (PEP) public entity risk pool. Note 7 to the financial statements provides additional information for this entity. This organization is:

Public Entity Risk Pool:

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members.

**Note 2 – Summary of Significant Accounting Policies**

***Basis of Presentation***

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary fund types which are organized on a fund type basis.

***Fund Accounting***

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

***General Fund*** - The general fund accounts for and reports all financial resources not accounted for and reported 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 account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. 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.

***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 electric service costs.

Sewer Fund – This fund receives charges for services from residents to cover sewer service costs.

**VILLAGE OF WHARTON  
WYANDOT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(Continued)**

**Note 2 – Summary of Significant Accounting Policies (Continued)**

***Basis of Accounting***

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

***Budgetary Process***

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

***Appropriations*** Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

***Estimated Resources*** Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must approve estimated resources.

***Encumbrances*** The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2016 budgetary activity appears in Note 4.

***Deposits and Investments***

The Village Fiscal Officer invests all available funds of the Village in an interest-bearing checking account and certificates of deposit.

***Capital Assets***

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

***Accumulated Leave***

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

VILLAGE OF WHARTON  
WYANDOT COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(Continued)

**Note 2 – Summary of Significant Accounting Policies (Continued)**

***Fund Balance***

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

***Nonspendable*** The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

***Restricted*** Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

***Committed*** Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

***Assigned*** Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

***Unassigned*** Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**Note 3 – Compliance**

Contrary to Ohio law, the Village did not properly encumber 100% of the disbursements tested in 2016.

**VILLAGE OF WHARTON  
WYANDOT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(Continued)**

**Note 4 – Budgetary Activity**

Budgetary activity for the years ending December 31, 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 6,000	\$ 43,921	\$ 37,921
Special Revenue	9,028	43,349	34,321
Enterprise	330,000	257,184	(72,816)
Total	\$ 345,028	\$ 344,454	\$ (574)

  

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 25,158	\$ 22,282	\$ 2,876
Special Revenue	62,027	4,514	57,513
Enterprise	791,489	201,090	590,399
Total	\$ 878,674	\$ 227,886	\$ 650,788

**Note 5 – Deposits and Investments**

The Village maintains a deposit and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at December 31, 2016 was as follows:

Demand deposits	\$ 557,290
Certificates of Deposit	100,000
Total deposits	\$ 657,290

Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

**Note 6 – Taxes**

***Property Taxes***

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

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

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

**VILLAGE OF WHARTON  
WYANDOT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(Continued)**

**Note 7 – Risk Management**

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

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

The Government belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. 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 York. 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, 2016, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

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

Financial Position

PEP's financial statements (audited by other auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2016.

	<u><b>2016</b></u>
Assets	\$42,182,281
Liabilities	<u>(13,396,700)</u>
Net Position	<u><b>\$28,785,581</b></u>

At December 31, 2016 the liabilities above include approximately 12.0 million of estimated incurred claims payable. The assets above also include approximately \$11.5 million of unpaid claims to be billed. The Pool's membership increased to 520 members in 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the Government's share of these unpaid claims collectible in future years is approximately \$2,000.

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.

**VILLAGE OF WHARTON  
WYANDOT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(Continued)**

**Note 7 – Risk Management (Continued)**

<b><u>2016 Contributions to PEP</u></b>
<b><u>\$3,479</u></b>

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 8 – Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants’ gross salaries. The Village has paid all contributions required through December 31, 2016.

**Note 9 - Postemployment Benefits**

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which includes multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits.

**Note 10 - Debt**

Debt outstanding at December 31, 2016 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OWDA - Loan (#5667)	\$ 187,970	1.50%
OWDA - Loan (#5534)	315,977	0.00%
Total	<u>\$ 503,947</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 \$221,514.



**VILLAGE OF WHARTON  
WYANDOT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(Continued)**

**Note 10 – Debt (Continued)**

On January 27, 2011, the Village entered into zero interest loan agreement #5534 with the Ohio Water Development Authority for a wastewater system upgrade. The remaining balance of this loan was received July 1, 2013 and total principal in the amount of \$346,200 is to be paid back over a 30-year period ending January 1, 2031.

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

Year ending December 31:	OWDA #5667	OWDA #5534
2017	9,197	\$ 21,792
2018	9,197	21,792
2019	9,197	21,792
2020	9,197	21,792
2021	9,197	21,792
2022-2026	45,985	108,960
2027-2031	45,985	98,057
2032-2036	45,985	-
2037-2041	32,190	-
Total	\$ 216,130	\$ 315,977

**VILLAGE OF WHARTON  
WYANDOT COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts:</b>			
Property and Other Local Taxes	\$ 2,044	\$ -	\$ 2,044
Intergovernmental	18,757	4,553	23,310
Charges for Services	312	-	312
Earnings on Investments	55	4	59
Miscellaneous	8,686	-	8,686
	<u>29,854</u>	<u>4,557</u>	<u>34,411</u>
<b>Total Cash Receipts</b>			
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	236	-	236
Public Health Services	1,432	-	1,432
Transportation	-	4,542	4,542
Capital Outlay	-	2,536	2,536
General Government	33,268	-	33,268
	<u>34,936</u>	<u>7,078</u>	<u>42,014</u>
<b>Total Cash Disbursements</b>			
<i>Net Change in Fund Cash Balances</i>	(5,082)	(2,521)	(7,603)
<i>Fund Cash Balances, January 1</i>	<u>24,240</u>	<u>60,189</u>	<u>84,429</u>
<b>Fund Cash Balances, December 31</b>			
Restricted	-	57,668	57,668
Assigned	19,158	-	19,158
	<u>19,158</u>	<u>57,668</u>	<u>76,826</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 19,158</u>	<u>\$ 57,668</u>	<u>\$ 76,826</u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF WHARTON  
WYANDOT COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)  
ALL PROPRIETARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$ 283,793
Miscellaneous	5,827
	289,620
Total Operating Cash Receipts	289,620
<b>Operating Cash Disbursements:</b>	
Personal Services	8,724
Transportation	5,178
Contractual Services	192,354
Supplies and Materials	4,196
Capital Outlay	20,711
	231,163
Total Operating Cash Disbursements	231,163
Operating Income	58,457
<b>Non-Operating Receipts (Disbursements):</b>	
Earnings on Investments	38
Principal Retirement	(11,549)
Interest and Other Fiscal Charges	(1,480)
Other Financing Sources	360
Other Financing Uses	(2,776)
	(15,407)
Total Non-Operating Receipts (Disbursements)	(15,407)
<i>Net Change in Fund Cash Balances</i>	43,050
<i>Fund Cash Balances, January 1</i>	420,846
<i>Fund Cash Balances, December 31</i>	\$ 463,896

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF WHARTON  
WYANDOT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

**Note 1 – Reporting Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Wharton, Wyandot County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides electric and sewer utilities, street maintenance repair, as well as other general government services.

The Village participates in the Public Entities Pool of Ohio (PEP) public entity risk pool. Note 7 to the financial statements provides additional information for this entity. This organization is:

Public Entity Risk Pool:

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members.

**Note 2 – Summary of Significant Accounting Policies**

***Basis of Presentation***

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary fund types which are organized on a fund type basis.

***Fund Accounting***

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

***General Fund*** - The general fund accounts for and reports all financial resources not accounted for and reported 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 account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. 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.

***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 electric service costs.

Sewer Fund – This fund receives charges for services from residents to cover sewer service costs.

**VILLAGE OF WHARTON  
WYANDOT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(Continued)**

**Note 2 – Summary of Significant Accounting Policies (Continued)**

***Basis of Accounting***

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

***Budgetary Process***

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

***Appropriations*** Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

***Estimated Resources*** Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must approve estimated resources.

***Encumbrances*** The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2015 budgetary activity appears in Note 4.

***Deposits and Investments***

The Village Fiscal Officer invests all available funds of the Village in an interest-bearing checking account and certificates of deposit.

***Capital Assets***

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

***Accumulated Leave***

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

VILLAGE OF WHARTON  
WYANDOT COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(Continued)

**Note 2 – Summary of Significant Accounting Policies (Continued)**

***Fund Balance***

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

***Nonspendable*** The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

***Restricted*** Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

***Committed*** Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

***Assigned*** Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

***Unassigned*** Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**Note 3 – Compliance**

Contrary to Ohio law, the Village did not properly encumber 100% of the disbursements tested in 2015.

**VILLAGE OF WHARTON  
WYANDOT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(Continued)**

**Note 4 – Budgetary Activity**

Budgetary activity for the years ending December 31, 2015 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 26,861	\$ 29,854	\$ 2,993
Special Revenue	11,831	4,557	(7,274)
Enterprise	330,000	290,018	(39,982)
Total	\$ 368,692	\$ 324,429	\$ (44,263)

  

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 51,101	\$ 34,936	\$ 16,165
Special Revenue	72,020	7,078	64,942
Enterprise	748,439	246,968	501,471
Total	\$ 871,560	\$ 288,982	\$ 582,578

**Note 5 – Deposits and Investments**

The Village maintains a deposit and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at December 31, 2015 was as follows:

Demand deposits	\$ 440,722
Certificates of Deposit	100,000
Total deposits	\$ 540,722

Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

**Note 6 – Taxes**

***Property Taxes***

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

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

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

**VILLAGE OF WHARTON  
WYANDOT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(Continued)**

**Note 7 – Risk Management**

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

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

The Government belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. 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 York. 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, 2015, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

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

Financial Position

PEP's financial statements (audited by other auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2015.

	<u><b>2015</b></u>
Assets	\$38,307,677
Liabilities	<u>(12,759,127)</u>
Net Position	<u><b>\$25,548,550</b></u>

At December 31, 2015 the liabilities above include approximately 11.5 million of estimated incurred claims payable. The assets above also include approximately \$11.0 million of unpaid claims to be billed. The Pool's membership increased to 499 members in 2015. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2015, the Government's share of these unpaid claims collectible in future years is approximately \$3,000.

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.



**VILLAGE OF WHARTON  
WYANDOT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(Continued)**

**Note 7 – Risk Management (Continued)**

<u><b>2015 Contributions to PEP</b></u>
<u><b>\$4,500</b></u>

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 8 – Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants’ gross salaries. The Village has paid all contributions required through December 31, 2016.

**Note 9 - Postemployment Benefits**

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which includes multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits.

**Note 10 - Debt**

Debt outstanding at December 31, 2015 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OWDA - Loan (#5667)	\$ 194,275	1.50%
OWDA - Loan (#5534)	337,769	0.00%
Total	<u>\$ 532,044</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 \$221,514.

**VILLAGE OF WHARTON  
WYANDOT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(Continued)**

**Note 10 – Debt (Continued)**

On January 27, 2011, the Village entered into zero interest loan agreement #5534 with the Ohio Water Development Authority for a wastewater system upgrade. The remaining balance of this loan was received July 1, 2013 and total principal in the amount of \$346,200 is to be paid back over a 30-year period ending January 1, 2031.

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

Year ending December 31:	OWDA #5667	OWDA #5534
2016	9,197	\$ 21,792
2017	9,197	21,792
2018	9,197	21,792
2019	9,197	21,792
2020	9,197	21,792
2021-2025	45,985	108,960
2026-2030	45,985	108,960
2031-2035	45,985	10,889
2036-2041	41,387	-
Total	\$ 225,327	\$ 337,769



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1310 Market Street, Suite 300  
Wheeling, WV 26003  
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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

November 29, 2017

Village of Wharton  
Wyandot County  
PO Box 266  
Wharton, Ohio 43359

To the Village Council:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the **Village of Wharton**, Wyandot County, (the Village) as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements and have issued our report thereon dated November 29, 2017, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

**Internal Control Over Financial Reporting**

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of audit findings that we consider a material weakness. We consider findings 2016-001 through 2016-011 to be material weaknesses.

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### **Compliance and Other Matters**

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of audit findings as items 2016-006 through 2016-009.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated November 29, 2017.

### **Purpose of this Report**

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**Perry & Associates**  
Certified Public Accountants, A.C.  
Marietta, Ohio

VILLAGE OF WHARTON  
WYANDOT COUNTY

SCHEDULE OF AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

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

FINDING NUMBER 2016-001

**Material Weakness**

**Posting Receipts, Disbursements, and Fund Balances**

The Village should have procedures and controls in place to help prevent and detect errors in financial reporting.

During 2016 and 2015, several receipts, disbursements, and fund balances were not posted to accurate classifications. The following posting errors were noted:

- Principal and interest payments were incorrectly posted as entirely Principal payments in 2016 and 2015.
- State and County receipts were incorrectly posted as Miscellaneous revenue instead of Intergovernmental revenue in 2016 and 2015.
- Miscellaneous revenue in the Sewer Enterprise Fund was improperly recorded as Earnings on Investments instead of Miscellaneous revenue in 2015.
- Two checks written for construction projects did not clear the bank in 2015. The checks were to an incorrect vendor, were never cashed, and will be voided in 2017. An adjustment was made to the 2015 fund balance and capital outlay to reduce expense and increase fund balance for these checks.
- Sewer and Electric Enterprise funds were adjusted to agree to the ending prior Audit Report balances in 2015. The Village did not record two adjustments noted in the 2014 audit.
- Capital Outlay expenses were incorrectly recorded as principal retirement in the Enterprise funds in 2015.
- A debt service payment was recorded as contractual services rather than principal retirement and interest and other fiscal charges in the Enterprise funds in 2016.
- Capital Outlay expense in the Street fund was recorded as principal retirement in 2016.
- Fund balances were incorrectly classified as unassigned rather than assigned for General Fund in 2016 and 2015.

Not posting revenues, disbursements, and fund balances accurately resulted in the financial statements requiring several reclassifications and adjustments. The accompanying financial statements reflect all reclassifications and adjustments.

To help ensure accuracy and reliability in the financial reporting process, we recommend management perform a detailed review of its draft financial statements. Such review should include procedures to ensure that all sources of revenues and disbursements are properly identified and classified on the financial statements.

We recommend the Clerk Treasurer refer to the Ohio Village Handbook for guidance to determine the proper establishment of receipt and disbursement accounts. In addition, the Clerk Treasurer should refer to the Auditor of State Technical Bulletin 2011-004 for information on fund balance classifications.

**Management's Response** – We did not receive a response from officials to this finding.

VILLAGE OF WHARTON  
WYANDOT COUNTY

SCHEDULE OF AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2016

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

FINDING NUMBER 2016-002

**Material Weakness**

**Cash Reconciliation**

The Village did not properly perform bank reconciliations for the years ended December 31, 2016 and 2015.

The Village maintains a separate bank statement for its Electric Fund. Shortly after the end of each month, the Village records the amount credited to the bank statement as electric utility receipts within its accounting 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 its accounting system as they occur.

By relying strictly on the bank statements, the Village may 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.

We recommend that the Village reconcile its bank accounts to the accounting system at the end of every month and post all transactions when they actually occur.

**Management's Response** – We did not receive a response from officials to this finding.

FINDING NUMBER 2016-003

**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

SCHEDULE OF AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2016

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

FINDING NUMBER 2016-003 (Continued)

**Material Weakness (Continued)**

**Utility Billing, Collections and Adjustments (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.

**Management's Response** – We did not receive a response from officials to this finding.

FINDING NUMBER 2016-004

**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.

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 need 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/disbursements with independently accumulated information (budgets, past performance, etc.);
- Review of unusual or significant items, long outstanding items; and
- Review of monthly bank reconciliations.

These reviews should be noted within the monthly council meeting minutes.

**Management's Response** – We did not receive a response from officials to this finding.

VILLAGE OF WHARTON  
WYANDOT COUNTY

SCHEDULE OF AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2016

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

FINDING NUMBER 2016-005

**Material Weakness**

**Supporting Documentation**

During testing of disbursement transactions, it was determined that supporting documentation was not maintained for the following:

- Supporting documentation such as an invoice was not maintained for 2 out of 33 transactions tested in 2015. The total of these invoices was \$427.

We were not able to perform additional testing to gain assurances for the disbursements above. The lack of adequate supporting documentation increases the possibility the Village could be paying for unallowable items.

The Village should maintain detailed support for all financial activity. The Village should establish procedures to ensure invoices are maintained. This will help ensure the Village is paying for only allowable items.

**Management's Response** – We did not receive a response from officials to this finding.

FINDING NUMBER 2016-006

**Material Weakness/Noncompliance**

**Purchase Orders**

Ohio Revised Code § 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the clerk is attached thereto. The clerk must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

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

1. "Then and Now" certificate - If the clerk can certify that both at the time that the contract or order was made ("then"), and at the time that the clerk is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority (Village Council) can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts of less than \$1,000 (which was increased to \$3,000 on April 7, 20093) may be paid by the clerk without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.



VILLAGE OF WHARTON  
WYANDOT COUNTY

SCHEDULE OF AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2016

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

FINDING NUMBER 2016-006 (CONTINUED)

Material Weakness/Noncompliance (Continued)

Purchase Orders (Continued)

- Blanket Certificate – clerks may prepare “blanket” certificates not exceeding \$5,000 against any specific line item account over a period not exceeding three months or running beyond the current year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation. Effective September 26, 2003, certificates may not exceed an amount established by resolution or ordinance of the legislative authority, and cannot extend beyond the end of the fiscal year. Blanket certificates cannot be issued unless there has been an amount approved by the legislative authority for the blanket.
- Super Blanket Certificate – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the clerk for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line-item appropriation.

The Village Clerk Treasurer did not issue any such certificates for the years ended December 31, 2016 and 2015.

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

**Management’s Response** – We did not receive a response from officials to this finding.

FINDING NUMBER 2016-007

Material Weakness/Noncompliance

**Ohio Rev. Code Section 9.38** states public money must be deposited with the treasurer of the public office or to a designated depository on the business day following the day of receipt. If the amount of daily receipts does not exceed \$1,000 and the receipts can be safeguarded, public offices may adopt a policy permitting their officials who receive this money to hold it past the next business day, but the deposit must be made no later than 3 business days after receiving it.

During 2015 and 2016, the Village failed to record in their accounting system or deposit in their checking account a significant amount of revenue received from the State or County from January 2015 through May 2016. The Village failed to properly deposit \$3,877 of County revenue, received in 2015, into the Village’s operating account until February 2016. The Village also failed to properly deposit \$17,827 of State revenue, received in 2015, into the Village’s operating account until May 2016. This resulted in the Village’s Property Tax revenue and Intergovernmental revenue being understated in 2015 and overstated in 2016.

VILLAGE OF WHARTON  
WYANDOT COUNTY

SCHEDULE OF AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2016

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

FINDING NUMBER 2016-007 (CONTINUED)

**Material Weakness/Noncompliance (Continued)**

All of the undeposited 2015 State receipts were voided by the State and reissued before being deposited by the Village in May 2016.

Also during 2016 and 2015, utility receipts were deposited with the designated depository after the required time limitation. Delays of this nature could cause Village daily receipts to be lost or misplaced without being detected in a timely manner. The Village should properly safeguard receipts and implement House Bill 220 (Auditor of State Bulletin 99-020) relative to depositing requirements and procedures. This House Bill requires that monies be deposited on the next business day if the amounts of daily receipts exceed \$1,000.

We recommend the Village take steps to ensure that State and County receipts are properly deposited in the Village's bank account and recorded in the Village's accounting system to ensure the proper recognition of revenue as well as eliminate the risk of Property Tax and Intergovernmental receipts being voided before being deposited. Council should be reviewing a detailed list of receipts on a monthly basis in order to ensure all revenues are included. This type of review would have alerted Council to the missing revenues. We also recommend the Village take steps to ensure utility deposits are made timely as required by Ohio Rev. Code. In addition, the Village could adopt the above-mentioned policy to allow deposits of less than \$1,000 to be deposited within three business days.

**Management's Response** – We did not receive a response from officials to this finding.

FINDING NUMBER 2016-008

**Material Weakness/Non Compliance**

**26 U.S.C. Section 3402 and Ohio Rev. Code Section 5747.06** requires every employer, including the state and its political subdivisions making payments of any compensation to an employee who is a taxpayer, to deduct and withhold from such compensation for each payroll period a tax substantially equivalent to the tax reasonably estimated to be due under this chapter with respect to the amount of such compensation included in his adjusted gross income during the calendar year.

The Village was holding and remitting Federal, State, and Local Taxes for employees not associated with the Village.

We recommend the Village no longer hold or remit Federal, State, or Local Taxes for employees not associated with the Village.

**Management's Response** – We did not receive a response from officials to this finding.

VILLAGE OF WHARTON  
WYANDOT COUNTY

SCHEDULE OF AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2016

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

FINDING NUMBER 2016-009

**Material Weakness/Noncompliance**

**26 Code of Federal Regulations Section 1.6041-2** provides that wages, as defined in 26 United States Code Section 3401 should be reported on a Form W-2, or “all other payments of compensation” are to be reported on a form 1099”. 26 United States 3402 states “...every employer making payment of wages shall deduct and withhold upon such wages as determined in accordance with the tables or computation procedures prescribed by the Secretary of the Treasury”.

The Village did not issue an IRS Form W-2 for employees compensated by the Village in 2015 and 2016. Also, The Village did not issue an IRS Form 1099 to any individuals for independent contractor services rendered during 2015 and 2016.

We recommend the Village maintain W-2 forms for all employees of the Village on an annual basis. The Village should issue a Form 1099 to all independent, unincorporated contractors to whom the Township pays \$600 or more in a given calendar year.

**Management’s Response** – We did not receive a response from officials to this finding.

FINDING NUMBER 2016-010

**Material Weakness**

**Late Debt Payments**

Debt payments were not always remitted to the respective agency in a timely manner. The Village incurred numerous late penalties and/or interest costs in 2016 for not remitting these payments by the required due dates. The total of these late penalties was \$92 in 2016.

We recommend the Village Clerk Treasurer establish a calendar which reflects when required payments are due to enable them to be recorded, the checks printed and signed, and then remitted to the required agencies on or before such due dates. When the calendar is prepared, the Village Clerk Treasurer should provide copies to all Council Members. The Council should monitor the progress in meeting such filing deadlines to ensure payments are remitted so as not to incur penalties and interest.

The situation could lead to a Finding for Recovery being issued against Village officials for misappropriation of Village monies.

**Management’s Response** – We did not receive a response from officials to this finding.

VILLAGE OF WHARTON  
WYANDOT COUNTY

SCHEDULE OF AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2016

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

FINDING NUMBER 2016-011

**Material Weakness**

**Note Disclosures**

The Village's note disclosures to the financial statements were deemed to be incomplete and inaccurate. In addition, one other disclosure was not included related to risk management. Below describes the issues identified with the Village's disclosures for fiscal year 2016:

- The Village's Deposits and Investments note disclosure did not match the total fund balances of the 2016 Financial Statements. Also the Village incorrectly included Deposits in Transit and Outstanding Checks in the cash note disclosure. This disclosure was adjusted in the notes.
- The Village's Budgetary Activity note disclosure did not always accurately represent the Village's approved appropriations for 2016. Also, the Village's Actual Receipts did not always agree to the Village's 2016 Financial Statements. These disclosures were adjusted in the notes.
- The Village's Debt note disclosure did not disclose any of the Village's debt activity or outstanding balances at the end of 2016. This disclosure was updated to accurately display the Village's debt activity in 2016.
- The Village did not include a Risk Management Note disclosing the Village's Public Entities Pool of Ohio (PEP) insurance in 2016. This disclosure was added to the notes.

We recommend the Village review and become familiar with the requirements of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) to ensure all disclosures and information is accurately included in the year-end financial statements.

**Management's Response** – We did not receive a response from officials to this finding.

**VILLAGE OF WHARTON  
WYANDOT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i><b>Explain</b></i>
2014-001	Posting Receipts and Disbursements	No	Repeated as Finding 2016-001
2014-002	Cash Reconciliation	No	Repeated as Finding 2016-002
2014-003	Utility Billing, Collections and Adjustments	No	Repeated as Finding 2016-003
2014-004	Village Council Oversight	No	Repeated as Finding 2016-004
2014-005	Supporting Documentation	No	Repeated as Finding 2016-005
2014-006	ORC Section 5705.41(D) Purchase Orders	No	Repeated as Finding 2016-006
2014-007	ORC Section 9.38	No	Repeated as Finding 2016-007
2014-008	26 U.S.C. Section 3402 & ORC Section 5747.06	No	Repeated as Finding 2016-008

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# 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  
MARCH 15, 2018