



**VILLAGE OF WHARTON
WYANDOT COUNTY
Regular Audit
For the Years Ended December 31, 2018 and 2017**

313 Second St.
Marietta, OH 45750
740 373 0056

1907 Grand Central Ave.
Vienna, WV 26105
304 422 2203

150 W. Main St., #A
St. Clairsville, OH 43950
740 695 1569

1310 Market St., #300
Wheeling, WV 26003
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OHIO AUDITOR OF STATE
KEITH FABER



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Columbus, Ohio 43215
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Board of Trustees
Village of Wharton
PO 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, 2017 through December 31, 2018. 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 cursive script that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

November 19, 2019

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VILLAGE OF WHARTON
WYANDOT COUNTY

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INDEPENDENT AUDITOR'S REPORT

September 27, 2019

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, 2018 and 2017.

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 such 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, 2018 and 2017, 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 cash balances, receipts and disbursements by fund type, and related notes of the Village of Wharton, Wyandot County as of December 31, 2018 and 2017, and 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 September 27, 2019, 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, 2018**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Property and Other Local Taxes	\$ 4,317	\$ -	\$ 4,317
Intergovernmental	28,952	21,040	49,992
Earnings on Investments	50	5	55
Miscellaneous	5,330	-	5,330
	<u>38,649</u>	<u>21,045</u>	<u>59,694</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
Security of Persons and Property	18	-	18
Transportation	-	1,818	1,818
General Government	25,945	-	25,945
Debt Service:			
Principal Retirement	-	3,804	3,804
	<u>25,963</u>	<u>5,622</u>	<u>31,585</u>
Total Cash Disbursements			
<i>Net Change in Fund Cash Balances</i>	12,686	15,423	28,109
<i>Fund Cash Balances, January 1</i>	<u>63,357</u>	<u>114,005</u>	<u>177,362</u>
Fund Cash Balances, December 31			
Restricted	-	129,428	129,428
Unassigned	76,043	-	76,043
	<u>76,043</u>	<u>-</u>	<u>76,043</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 76,043</u>	<u>\$ 129,428</u>	<u>\$ 205,471</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)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Enterprise
Operating Cash Receipts:	
Charges for Services	\$ 250,948
Miscellaneous	2,059
	253,007
Total Operating Cash Receipts	253,007
Operating Cash Disbursements:	
Personal Services	8,549
Transportation	7,516
Contractual Services	155,940
Supplies and Materials	7,713
	179,718
Total Operating Cash Disbursements	179,718
Operating Income	73,289
Non-Operating Receipts (Disbursements):	
Earnings on Investments	218
Principal Retirement	(28,337)
Interest and Other Fiscal Charges	(2,651)
Other Financing Sources	900
Other Financing Uses	(3,785)
	(3,785)
Total Non-Operating Receipts (Disbursements)	(33,655)
<i>Net Change in Fund Cash Balances</i>	39,634
<i>Fund Cash Balances, January 1</i>	545,860
<i>Fund Cash Balances, December 31</i>	\$ 585,494

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

Village of Wharton, Ohio
Wyandot County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 1 - Reporting Entity

The Village of Wharton (the Village), Wyandot County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides general government services, street repair and maintenance, and sewer and electric services to the residents of the Village. The Wharton Community Fire Department provides fire protection services to the Village residents.

Public Entity Risk Pool

The Village participates in a public entity risk. Note 7 to the financial statements provides additional information for this entity. The Village's management believes these financial statements present all activities for which the Village is financially accountable.

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 Funds:

Street Construction Maintenance and Repair The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

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:

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

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

Village of Wharton, Ohio
Wyandot County
Notes to the Financial Statements
For the Year Ended December 31, 2018

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 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 2018 budgetary activity appears in Note 4.

Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

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, Ohio
Wyandot County
Notes to the Financial Statements
For the Year Ended December 31, 2018

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, budgetary expenditures exceeded appropriation authority in the Street Construction Maintenance and Repair fund by \$1,268 for the year ended December 31, 2018. Also contrary to Ohio law, appropriations exceeded estimated resources in the Street Construction Maintenance and Repair fund by \$4,354 for the year ended December 31, 2018.

Village of Wharton, Ohio
Wyandot County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 4 - Budgetary Activity

Budgetary activity for the year ending 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 63,357	\$ 38,649	\$ (24,708)
Special Revenue	-	21,045	21,045
Enterprise	1,041,177	254,125	(787,052)
Total	\$ 1,104,534	\$ 313,819	\$ (790,715)

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 32,644	\$ 25,963	\$ 6,681
Special Revenue	4,354	5,622	(1,268)
Enterprise	285,340	214,491	70,849
Total	\$ 322,338	\$ 246,076	\$ 76,262

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 was as follows:

	2018
Demand deposits	\$ 690,965
Certificates of deposit	100,000
Total deposits	\$ 790,965

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the Village.

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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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, Ohio
Wyandot County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 7 - Risk Management

The Village is a member of the Public Entities Pool of Ohio (The Pool). The Pool assumes the risk of loss up to the limits of the (local entity's) policy. The Pool covers the following risks:

- General liability and casualty
- Public official's liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

	<u>2018</u>
Cash and investments	\$ 35,381,789
Actuarial liabilities	\$12,965,015

Note 8 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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, 2018.

Note 9 - Postemployment Benefits

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which include 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. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2018. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2018.

Village of Wharton, Ohio
Wyandot County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 10 – Debt

Debt outstanding at December 31, 2018 was as follows:

	Principal	Interest Rate
OWDA - Loan (#5667)	\$ 171,788	1.50%
OWDA - Loan (#5534)	261,498	0.00%
OPWC - Loan (CT40Q)	15,220	0.00%
Total	\$ 448,506	

In 2007, the Village entered an agreement to receive a loan from OWDA #5667 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.

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.

In 2015, the Village entered into a zero-interest loan agreement with OPWC (CT40Q) to cover the Sandusky Street Improvements. This loan was to be paid back in equal payments of \$1,268.31 over a 10-year period ending January 2025. This loan was not reported in the prior audit period.

Amortization

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

Year Ending December 31:	OWDA - Loan (5667)	OWDA - Loan (5534)	OPWC - Loan (CT40Q)
2019	\$ 9,197	\$ 21,792	\$ 2,537
2020	9,197	21,792	2,537
2021	9,197	21,792	2,537
2022	9,197	21,792	2,537
2023	9,197	21,792	2,537
2024-2028	45,983	108,958	2,535
2029-2033	45,983	43,580	-
2034-2038	45,983	-	-
2039-2043	22,991	-	-
Total	\$ 206,925	\$ 261,498	\$ 15,220

**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, 2017**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Property and Other Local Taxes	\$ 8,563	\$ -	\$ 8,563
Intergovernmental	30,794	21,130	51,924
Earnings on Investments	82	3	85
Miscellaneous	7,579	-	7,579
	<u>47,018</u>	<u>21,133</u>	<u>68,151</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
Security of Persons and Property	354	-	354
Public Health Services	716	-	716
Basic Utility Services	307	-	307
Transportation	-	2,363	2,363
General Government	23,381	-	23,381
Debt Service:			
Principal Retirement	-	1,268	1,268
	<u>24,758</u>	<u>3,631</u>	<u>28,389</u>
Total Cash Disbursements			
<i>Net Change in Fund Cash Balances</i>	22,260	17,502	39,762
<i>Fund Cash Balances, January 1 (Restated, See Note 10)</i>	<u>41,097</u>	<u>96,503</u>	<u>137,600</u>
Fund Cash Balances, December 31			
Restricted	-	114,005	114,005
Assigned	30,713	-	30,713
Unassigned (Deficit)	<u>32,644</u>	<u>-</u>	<u>32,644</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 63,357</u>	<u>\$ 114,005</u>	<u>\$ 177,362</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)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Enterprise
Operating Cash Receipts:	
Charges for Services	\$ 251,131
Miscellaneous	991
	252,122
Total Operating Cash Receipts	252,122
Operating Cash Disbursements:	
Personal Services	12,052
Transportation	6,064
Contractual Services	216,010
Supplies and Materials	6,979
	241,105
Total Operating Cash Disbursements	241,105
Operating Income	11,017
Non-Operating Receipts (Disbursements):	
Capital Outlay	(7,915)
Earnings on Investments	131
Principal Retirement	(42,325)
Interest and Other Fiscal Charges	(4,249)
Other Financing Sources	990
Other Financing Uses	(7,883)
	(7,883)
Total Non-Operating Receipts (Disbursements)	(61,251)
<i>Net Change in Fund Cash Balances</i>	(50,234)
<i>Fund Cash Balances, January 1 (Restated, See Note 10)</i>	596,094
<i>Fund Cash Balances, December 31</i>	\$ 545,860

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

Village of Wharton, Ohio
Wyandot County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 1 - Reporting Entity

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Public Entity Risk Pool

The Village participates in a public entity risk. Note 6 to the financial statements provides additional information for this entity. The Village's management believes these financial statements present all activities for which the Village is financially accountable.

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:

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Street Construction Maintenance and Repair The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

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:

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

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

Village of Wharton, Ohio
Wyandot County
Notes to the Financial Statements
For the Year Ended December 31, 2017

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 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 2018 budgetary activity appears in Note 3.

Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

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, Ohio
Wyandot County
Notes to the Financial Statements
For the Year Ended December 31, 2017

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 - Budgetary Activity

Budgetary activity for the year ending 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 47,097	\$ 47,018	\$ (79)
Special Revenue	100,862	21,133	(79,729)
Enterprise	939,019	253,243	(685,776)
Total	\$ 1,086,978	\$ 321,394	\$ (765,584)

Village of Wharton, Ohio
Wyandot County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 3 - Budgetary Activity (Continued)

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 47,097	\$ 24,758	\$ 22,339
Special Revenue	100,862	3,631	97,231
Enterprise	837,041	303,477	533,564
Total	\$ 985,000	\$ 331,866	\$ 653,134

Note 4 – 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 was as follows:

	2017
Demand deposits	\$ 623,222
Certificates of deposit	100,000
Total deposits	\$ 723,222

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the Village.

Note 5 – 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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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, Ohio
Wyandot County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 6 - 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, 2017, 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, 2017.

	<u>2017</u>
Assets	\$44,452,326
Liabilities	(13,004,011)
Net Position	\$31,448,315

At December 31, 2017 the liabilities above include approximately \$11.8 million of estimated incurred claims payable. The assets above also include approximately \$11.2 million of unpaid claims to be billed. The Pool's membership increased to 527 members in 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, 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.

<u>2018 Contributions to PEP</u> \$4,770
--

Village of Wharton, Ohio
Wyandot County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 6 - Risk Management (Continued)

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 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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, 2017.

Note 8 - Postemployment Benefits

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which include 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. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2017. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2017.

Note 9 - Debt

Debt outstanding at December 31, 2017 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OWDA - Loan (#5667)	\$ 178,332	1.50%
OWDA - Loan (#5534)	283,290	0.00%
OPWC - Loan (CT40Q)	19,025	0.00%
Total	<u>\$ 480,647</u>	

In 2007, the Village entered an agreement to receive a loan from OWDA (#5667) 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.

On January 27, 2011, the Village entered into a 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.

Village of Wharton, Ohio
Wyandot County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 9 – Debt (Continued)

In 2015, the Village entered into a zero-interest loan agreement with OPWC (CT40Q) to cover the Sandusky Street Improvements. This loan was to be paid back in equal payments of \$1,268.31 over a 10-year period ending January 2025. This loan was not reported in the prior audit period. The beginning balance as of January 1, 2017 was \$20,293.

Amortization

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

Year Ending December 31:	OWDA - Loan (5667)	OWDA - Loan (5534)	OPWC - Loan (CT40Q)
2018	\$ 9,197	\$ 21,792	\$ 2,537
2019	9,197	21,792	2,537
2020	9,197	21,792	2,537
2021	9,197	21,792	2,537
2022	9,197	21,792	2,537
2023-2027	45,983	108,958	6,340
2028-2032	45,983	65,372	
2023-2037	45,983	-	-
2038-2042	32,188	-	-
Total	<u>\$ 216,122</u>	<u>\$ 283,290</u>	<u>\$ 19,025</u>

Note 10 – Prior Period Restatement

The following adjustment is reflected in the January 1, 2017 fund balances:

	General Fund	Enterprise Fund
December 31, 2016 audited balances	\$ 40,797	\$ 519,990
Adjustment to account for canceled checks	300	76,104
January 1, 2017 balances	<u>\$ 41,097</u>	<u>\$ 596,094</u>

The Village voided old outstanding checks.



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Marietta, OH 45750
740.373.0056

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Vienna, WV 26105
304.422.2203

150 West Main St.
St. Clairsville, OH 43950
740.695.1569

1310 Market St., Suite 300
Wheeling, WV 26003
304.232.1358

749 Wheeling Ave., Suite 300
Cambridge, OH 43725
740.435.3417

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

September 27, 2019

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, 2018 and 2017, and the related notes to the financial statements and have issued our report thereon dated September 27, 2019, 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 certain deficiencies in internal control, described in the accompanying schedule of audit findings that we consider material weaknesses. We consider findings 2018-001 through 2018-009 to be a 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 2018-005 and 2018-006.

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

Village of Wharton
Wyandot County

Schedule of Audit Findings
For the Years Ended December 31, 2018 and 2017

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

FINDING NUMBER 2018-001

Material Weakness

Financial Statement Preparation

Accurate financial reporting is the responsibility of the Village Clerk Treasurer and is essential to ensure information provided to the readers of the financial statements is correct.

Receipts and disbursements were not always posted or classified correctly. The following errors were noted:

- In 2018 and 2017, intergovernmental revenue was classified as miscellaneous instead of intergovernmental.
- In 2018, voided checks were listed as capital outlay instead of restating 2017 beginning fund balance; and
- Principal and interest were improperly recorded in 2018 and 2017.
- Intrafund bank transfers were improperly recorded on the financial statements in 2017.

Not posting receipts and disbursements accurately resulted in the financial statements requiring reclassifications. The financial statements reflect all reclassifications.

To help ensure accuracy and reliability in the financial reporting process, we recommend that 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.

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

FINDING NUMBER 2018-002

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 should also ensure their daily receipt reports in the accounting system tie to the deposits made at the bank.

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.

Village of Wharton
Wyandot County

Schedule of Audit Findings
For the Years Ended December 31, 2018 and 2017

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2018-002 (Continued)

Utility Billing, Collections and Adjustments (Continued)

In 2017, there were 4 of 39 instances where the daily receipt report did not tie to the amount deposited at the bank. The variance between the daily receipt report and the amount deposited at the bank was considered trivial.

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.

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 2018-003

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

Village of Wharton
Wyandot County

Schedule of Audit Findings
For the Years Ended December 31, 2018 and 2017

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

FINDING NUMBER 2018-003 (Continued)

Village Council Oversight (Continued)

- 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.

FINDING NUMBER 2018-004

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 3 out of 36 transactions tested in 2017. The total of these invoices was \$2,968.
- Supporting documentation such as an invoice was not maintained for 1 out of 18 transactions tested in 2018. The total of these invoices was \$3,586.

Auditors were able to determine these expenditures were for a proper public purchase through alternative procedures. 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 2018-005

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.

Village of Wharton
Wyandot County

Schedule of Audit Findings
For the Years Ended December 31, 2018 and 2017

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2018-005 (Continued)

Material Weakness/Noncompliance (Continued)

Purchase Orders (Continued)

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.
2. 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.
3. Super Blanket Certificate – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the 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, 2018 and 2017.

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.

Village of Wharton
Wyandot County

Schedule of Audit Findings
For the Years Ended December 31, 2018 and 2017

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2018-006

Material Weakness/Noncompliance

Budgetary Controls

The budget is an instrument of public policy: A governing board expresses its desires for using a government's limited resources through its appropriations. Ohio Rev. Code Section 5705 deals with a variety of budgetary requirements that all subdivisions must comply with in order to ensure fiscal responsibility.

In performing the audit we noted several violations of budgetary law which, although they do not in and of themselves, result in errors in financial reporting, may lead to the Village making financial decisions based on incorrect or incomplete information. We noted the following:

- Violations of 5705.39 indicating appropriations cannot exceed estimated resources;
- Violations of 5705.41(B) stating no subdivision is to expend money unless it has been appropriated (expenditures exceeded appropriations);
- Appropriations and Estimated Resources were not reconciled to the accounting system.

In addition, The Village did not have a control procedure in place to ensure that appropriations and estimated receipts, as authorized by the Village Council and approved by the County Budget Commission, were reconciled to the appropriations and estimated receipts posted to the accounting system.

This resulted in incorrect amounts posted to the accounting system and information available to Village officials to monitor year-to-date total comparison of budgeted amounts versus actual amounts was not accurate. We recommend the Village implement procedures to ensure appropriations and estimated receipts are accurately posted to the accounting system and reconciled to the amounts approved by the budget commission after each amendment.

Council does not monitor for budgetary compliance. Although Council approves budgets for revenue and expenses and receives monthly reports of budget and actual information, it does not ensure budgetary forms are properly completed, submitted to the County Budget Commission timely or that transfers are done in compliance with laws and regulations.

Council should review the requirements of ORC section 5705 to be familiar with these laws and to make sure the Village is complying with applicable sections. We recommend the Village establish a procedure that ensures budgetary forms are submitted to the County accurately and timely. This could include a checklist of forms and due dates. Council should also consider the need to move from a manual system to a computerized system that will incorporate budgetary requirements. If the Council does not consider this necessary steps should be taken to make sure amounts are encumbered (purchase orders are used and assigned to each purchase prior to ordering), certifications of available funds are done by the Fiscal Officer prior to purchasing and unencumbered balances are tracked for each line item.

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, 2018 and 2017

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

FINDING NUMBER 2018-007

Material Weakness

Timely Remittances

During 2017 and 2018 the Village Clerk Treasurer did not routinely remit payments to PERS. Not timely remitting to PERS resulted in the Village paying late fees. In 2017 late penalties amounted to \$26.20. In 2018 late penalties amounted to \$8.64.

By not routinely remitting withholdings to the proper agencies the Village greatly increases the chances of over or underpaying payroll remittances. We recommend that the Village remit taxes and accurately completed forms on a routine basis prescribed by the remitting agency. The Village should contact each of the reporting agencies to determine that the status of the Village's remittances. The Village should contact PERS to confirm that all officials and employees are correctly enrolled in PERS.

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

FINDING NUMBER 2018-008

Material Weakness

Late Debt Payments

Debt payments were not always remitted to the respective agency in a timely manner. The Village incurred late penalties and/or interest costs in 2017 for not remitting these payments by the required due dates. The total of these late penalties was \$91.55 in 2017.

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.

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, 2018 and 2017

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2018-009

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 2018 and 2017:

- The Village's Deposits and Investments note disclosure did not match the total fund balances of the 2017 Financial Statements. Also, the Village incorrectly included Deposits in Transit and Outstanding Checks in the cash note disclosure in 2018 and 2017. This disclosure was adjusted in the notes.
- The Village's Budgetary Activity note disclosure did not always accurately represent the Village's estimated resources and approved appropriations for 2018. Also, the Village's Budgetary Disbursements did not always agree to the Village's 2018 Financial Statements. These disclosures were adjusted in the notes.
- The Village did not include a Risk Management Note disclosing the Village's Public Entities Pool of Ohio (PEP) insurance in 2018 or 2017. 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, 2018 AND 2017**

Finding Number	Finding Summary	Status	Additional Information
2016-001	Posting Receipts and Disbursements	Not Corrected	Repeated as Finding 2018-001
2016-002	Cash Reconciliation	Corrected	
2016-003	Utility Billing, Collections and Adjustments	Not Corrected	Repeated as Finding 2018-002
2016-004	Village Council Oversight	Not Corrected	Repeated as Finding 2018-003
2016-005	Supporting Documentation	Not Corrected	Repeated as Finding 2018-004
2016-006	ORC Section 5705.41(D) Purchase Orders	Not Corrected	Repeated as Finding 2018-005
2016-007	ORC Section 9.38	Corrected	
2016-008	26 U.S.C. Section 3402 & ORC Section 5747.06	Corrected	
2016-009	26 U.S.C. Section 16041-2	Corrected	
2016-010	Late Debt Payments	Not Corrected	Repeated as Finding 2018-008
2016-011	Note Disclosures	Not Corrected	Repeated as Finding 2018-009

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OHIO AUDITOR OF STATE KEITH FABER



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
DECEMBER 5, 2019