

**VILLAGE OF WHARTON  
WYANDOT COUNTY, OHIO**

*Financial Statements*  
**(Audited)**

For The Years Ended  
December 31, 2006 and 2005

**WENDY WRIGHT, CLERK/TREASURER**





# Mary Taylor, CPA

Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Village of Wharton, Wyandot County, prepared by Julian & Grube, Inc., for the audit period January 1, 2005 through December 31, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

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

Mary Taylor, CPA  
Auditor of State

December 12, 2007

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**VILLAGE OF WHARTON  
WYANDOT COUNTY, OHIO**

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

*Serving Ohio Local Governments*

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### **Independent Auditor's Report**

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

We have audited the accompanying financial statements of the Village of Wharton, Wyandot County, as of and for the years ended December 31, 2006 and 2005. These financial statements are the responsibility of the Village of Wharton's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 2, the Village of Wharton has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Village of Wharton to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2006 and 2005. Instead of the combined funds the accompanying financial statements present for 2006 and 2005, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2006 and 2005. While the Village of Wharton does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village of Wharton has elected not to reformat its statements. Since the Village of Wharton does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2006 and 2005 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village of Wharton as of December 31, 2006 and 2005, or its changes in financial position or cash flows of its proprietary fund type for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash fund balances of the Village of Wharton, Wyandot County, Ohio as of December 31, 2006 and 2005 and its combined cash receipts and disbursements combined budgeted and actual receipts and budgeted and actual disbursements for the years then ended on the accounting basis Note 2 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village of Wharton to include Management's Discussion and Analysis for the years ended December 31, 2006 and 2005. The Village of Wharton has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part, of the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2007, on our consideration of the Village of Wharton's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Julian & Grube, Inc.  
November 27, 2007



**VILLAGE OF WHARTON  
WYANDOT COUNTY, OHIO**

COMBINED STATEMENT OF CASH FUND BALANCES  
ALL FUND TYPES  
DECEMBER 31, 2006 AND 2005

<u>Cash and Cash Equivalents</u>	<u>2006</u>	<u>2005</u>
Cash and Cash Equivalents	\$ 740,935	\$ 716,972
Total Cash and Cash Equivalents	<u>\$ 740,935</u>	<u>\$ 716,972</u>
 <u>Cash Fund Balances</u>		
<u>Governmental Fund Types:</u>		
General Fund	\$ 34,374	\$ 24,619
Special Revenue Funds	<u>56,687</u>	<u>37,544</u>
Total Governmental Funds	<u>91,061</u>	<u>62,163</u>
 <u>Proprietary Fund Type:</u>		
Enterprise Fund	<u>649,874</u>	<u>654,809</u>
Total Fund Balances	<u>\$ 740,935</u>	<u>\$ 716,972</u>

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

**VILLAGE OF WHARTON  
WYANDOT COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN CASH FUND BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Governmental Fund Types</u>		Total (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash receipts:			
Local taxes	\$ 20,483	\$ -	\$ 20,483
Intergovernmental	30,997	19,758	50,755
Fines, licenses, and permits	1,210	-	1,210
Interest	3,793	282	4,075
Miscellaneous	2,211	-	2,211
Total cash receipts	<u>58,694</u>	<u>20,040</u>	<u>78,734</u>
Cash disbursements:			
Current:			
Security of persons and property	3,140	-	3,140
Basic utility services	350	-	350
Transportation	-	897	897
General government	45,449	-	45,449
Total cash disbursements	<u>48,939</u>	<u>897</u>	<u>49,836</u>
Total cash receipts over cash disbursements	9,755	19,143	28,898
Cash fund balances, January 1, 2006	<u>24,619</u>	<u>37,544</u>	<u>62,163</u>
Cash fund balances, December 31, 2006	<u>\$ 34,374</u>	<u>\$ 56,687</u>	<u>\$ 91,061</u>

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

**VILLAGE OF WHARTON  
WYANDOT COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND CHANGES IN CASH FUND BALANCES - PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2006

	Proprietary Fund Type
	Enterprise
Operating cash receipts:	
Charges for services	\$ 264,765
Total operating cash receipts	264,765
Operating cash disbursements:	
Personal services	7,119
Contractual services	252,053
Supplies and material	9,532
Miscellaneous	1,579
Total operating cash disbursements	270,283
Operating income/(loss)	(5,518)
Nonoperating cash receipts/(disbursements):	
Interest	53
Other local taxes	55
Deposits received	590
Deposits returned	(60)
Excise tax	(55)
Total nonoperating cash receipts (disbursements)	583
Net cash receipts over/(under) cash disbursements	(4,935)
Cash fund balances, January 1, 2006	654,809
Cash fund balances, December 31, 2006	\$ 649,874

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

VILLAGE OF WHARTON  
 WYANDOT COUNTY, OHIO

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS  
 AND ENCUMBRANCES COMPARED WITH EXPENDITURE  
 AUTHORITY - BUDGET AND ACTUAL  
 FOR THE YEAR ENDED DECEMBER 31, 2006

Fund Types	Receipts					Disbursements						
	County Certified Unencumbered Cash	Budget	Total Estimated Resources	Actual 2006 Receipts	Variance Favorable (Unfavorable)	Prior Year Carryover Appropriations	2006 Appropriations	Total	Actual 2006 Disbursements	Encumbrances Outstanding at 12/31/06	Total	Variance Favorable (Unfavorable)
Governmental:												
General	\$ -	\$ -	\$ -	\$ 58,694	\$ 58,694	\$ -	\$ 16,500	\$ 16,500	\$ 48,939	\$ -	\$ 48,939	\$ (32,439)
Special Revenue	-	-	-	20,040	20,040	-	2,500	2,500	897	-	897	1,603
Proprietary:												
Enterprise	-	-	-	265,463	265,463	-	134,500	134,500	270,398	-	270,398	(135,898)
Total (Memorandum Only)	\$ -	\$ -	\$ -	\$ 344,197	\$ 344,197	\$ -	\$ 153,500	\$ 153,500	\$ 320,234	\$ -	\$ 320,234	\$ (166,734)

**VILLAGE OF WHARTON  
WYANDOT COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN CASH FUND BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Governmental Fund Types</u>		Total (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash receipts:			
Local taxes	\$ 26,221	\$ -	\$ 26,221
Intergovernmental	17,657	31,153	48,810
Fines, licenses, and permits	1,098	-	1,098
Interest	2,919	279	3,198
Miscellaneous	531	-	531
Total cash receipts	<u>48,426</u>	<u>31,432</u>	<u>79,858</u>
Cash disbursements:			
Current:			
Security of persons and property	1,336	-	1,336
Public health services	818	-	818
Basic utility services	2,191	-	2,191
Transportation	17,830	13,521	31,351
General government	32,527	-	32,527
Capital outlay	<u>7,475</u>	<u>22,697</u>	<u>30,172</u>
Total cash disbursements	<u>62,177</u>	<u>36,218</u>	<u>98,395</u>
Total cash receipts over/(under) cash disbursements	(13,751)	(4,786)	(18,537)
Cash fund balances, January 1, 2005	<u>38,370</u>	<u>42,330</u>	<u>80,700</u>
Cash fund balances, December 31, 2005	<u>\$ 24,619</u>	<u>\$ 37,544</u>	<u>\$ 62,163</u>

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

**VILLAGE OF WHARTON  
WYANDOT COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND CHANGES IN CASH FUND BALANCES - PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
Operating cash receipts:	
Charges for services	\$ 223,841
Total operating cash receipts	<u>223,841</u>
Operating cash disbursements:	
Personal services	7,299
Contractual services	132,260
Supplies and material	11,784
Capital outlay	10,091
Miscellaneous	302
Total operating cash disbursements	<u>161,736</u>
Operating income	<u>62,105</u>
Nonoperating cash receipts/(disbursements):	
Interest	50
Other local taxes	73
Deposits received	469
Excise tax	(73)
Deposits returned	(664)
Total nonoperating cash receipts/(disbursements)	<u>(145)</u>
Net cash receipts over cash disbursements	61,960
Cash fund balances, January 1, 2005	<u>592,849</u>
Cash fund balances, December 31, 2005	<u><u>\$ 654,809</u></u>

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

VILLAGE OF WHARTON  
 WYANDOT COUNTY, OHIO

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS  
 AND ENCUMBRANCES COMPARED WITH EXPENDITURE  
 AUTHORITY - BUDGET AND ACTUAL  
 FOR THE YEAR ENDED DECEMBER 31, 2005

Fund Types	Receipts					Disbursements						
	County Certified Unencumbered Cash	Budget	Total Estimated Resources	Actual 2005 Receipts	Variance Favorable (Unfavorable)	Prior Year Carryover Appropriations	2005 Appropriations	Total	Actual 2005 Disbursements	Encumbrances Outstanding at 12/31/05	Total	Variance Favorable (Unfavorable)
Governmental:												
General	\$ -	\$ -	\$ -	\$ 48,426	\$ 48,426	\$ -	\$ -	\$ -	\$ 62,177	\$ -	\$ 62,177	\$ (62,177)
Special Revenue	-	-	-	31,432	31,432	-	-	-	36,218	-	36,218	(36,218)
Proprietary:												
Enterprise	-	-	-	224,433	224,433	-	104,000	104,000	162,473	-	162,473	(58,473)
Total (Memorandum Only)	\$ -	\$ -	\$ -	\$ 304,291	\$ 304,291	\$ -	\$ 104,000	\$ 104,000	\$ 260,868	\$ -	\$ 260,868	\$ (156,868)

**VILLAGE OF WHARTON**  
**WYANDOT COUNTY, OHIO**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

**NOTE 1 - DESCRIPTION OF THE ENTITY**

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

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

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. BASIS OF PRESENTATION - FUND ACCOUNTING**

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

**GOVERNMENTAL FUNDS**

**General Fund**

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

**Special Revenue Funds**

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

The Village had the following special revenue fund:

*Street Construction, Maintenance, and Repair Fund* - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village streets.



**VILLAGE OF WHARTON**  
**WYANDOT COUNTY, OHIO**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

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

Enterprise Funds

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

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

**B. BASIS OF ACCOUNTING**

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

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

**C. BUDGETARY PROCESS**

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

**VILLAGE OF WHARTON**  
**WYANDOT COUNTY, OHIO**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

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

*Tax Budget:*

A budget of estimated cash receipts and disbursements is submitted to the County Auditor, as secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year. All funds are legally required to be budgeted. The expressed purpose of the tax budget is to reflect the need for existing (or increased) tax rates. The Wyandot County auditor waived this requirement for 2006 and 2005.

*Estimated Resources:*

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

*Appropriations:*

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

**VILLAGE OF WHARTON**  
**WYANDOT COUNTY, OHIO**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

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

*Encumbrances:*

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

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated. There were no outstanding encumbrances at December 31, 2006 and 2005.

**D. CASH AND CASH EQUIVALENTS**

For reporting purposes, the Village considers "Cash and Cash Equivalents" to be cash on hand, demand deposits, and all investments held by the Village with a maturity date less than or equal to three months from the date of purchase. Interest income earned and received by the Village totaled \$4,128 and \$3,248 for the years ended December 31, 2006 and 2005, respectively.

**E. PROPERTY, PLANT AND EQUIPMENT**

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

**F. INTERGOVERNMENTAL REVENUES**

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

**G. TOTAL COLUMNS ON FINANCIAL STATEMENTS**

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

**VILLAGE OF WHARTON**  
**WYANDOT COUNTY, OHIO**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

**NOTE 3 - COMPLIANCE**

- i.* The following funds had disbursements in excess of appropriations for the years ended December 31, 2006 and 2005, in noncompliance with Ohio Revised Code Section 5705.41 (B):

<u>Fund Type/Fund</u>	<u>2006</u>	<u>2005</u>
General	\$ 32,439	\$ 62,177
<u>Special Revenue Fund</u>		
Street Construction, Maintenance & Repair	-	36,218
<u>Enterprise Funds</u>		
Utility Deposit	60	664
Electric	135,838	57,809

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

- ii.* The Village did not approve permanent appropriations for the years ended December 31, 2006 and 2005 in noncompliance with Ohio Revised Code Section 5705.38. The Village approved temporary appropriations for the years ended 2006 and 2005 (Enterprise Funds only).
- iii.* The Village did not certify expenditures in a timely manner for the years ended December 31, 2006 and 2005 in noncompliance with Ohio Revised Code Section 5705.41(D).
- iv.* The following funds had appropriations in excess of estimated resources, due to not filing a certificate of available sources or obtaining any amended certificates from the County for the years ended December 31, 2006 and 2005 in noncompliance with Ohio Revised Code Section 5705.39:

<u>Fund Type/Fund</u>	<u>2006</u>	<u>2005</u>
General Fund	\$ 16,500	\$ -
<u>Special Revenue Fund</u>		
Street Construction, Maintenance and Repair	2,500	-
<u>Enterprise Fund</u>		
Electric	134,500	104,000

**VILLAGE OF WHARTON**  
**WYANDOT COUNTY, OHIO**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

**NOTE 3 - COMPLIANCE - (Continued)**

- v. The Village did not properly modify its appropriations throughout the years ended December 31, 2006 and 2005 in noncompliance with Ohio Revised Code Section 5705.40.
- vi. The Village did not properly certify its most current estimated resources to the appropriate authorities and this caused appropriations to exceed estimated resources throughout the years ended December 31, 2006 and 2005, in noncompliance with Ohio Revised Code Section 5705.36.
- vii. The Village did not certify its unencumbered fund balances to the County Auditor for the years ended December 31, 2006 and 2005 in noncompliance with Ohio Revised Code Section 5705.36.

**NOTE 4 - CASH AND CASH EQUIVALENTS**

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

	2006	2005
Deposits: Demand deposits	\$ 640,935	\$ 616,972
Deposits: Certificate of Deposit	100,000	100,000
Total Cash and Cash Equivalents	\$ 740,935	\$ 716,972

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

**NOTE 5 - PROPERTY TAX**

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

**VILLAGE OF WHARTON**  
**WYANDOT COUNTY, OHIO**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

**NOTE 5 - PROPERTY TAX - (Continued)**

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

Tangible personal property tax revenues received in 2006 (other than public utility property) represent the collection of 2006 taxes. Tangible personal property taxes received in 2006 were levied after October 1, 2005, on the true value as of December 31, 2005. In prior years, tangible personal property assessments were twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. Tangible personal property tax is being phased out - the assessment percentage for property, including inventory, is 18.75% for 2006. This percentage will be reduced to 12.5% for 2007, 6.25% for 2008, and zero for 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

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

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

**NOTE 6 - RETIREMENT SYSTEM**

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

Contribution rates are also prescribed by the Ohio Revised Code. For 2006 and 2005, OPERS members contributed 9.0% and 8.5% of their gross salaries, respectively. The Village contributes an amount equal to 13.70% and 13.55% of participants' gross salaries, respectively. The Village has made all required contributions as of December 31, 2006.

**VILLAGE OF WHARTON**  
**WYANDOT COUNTY, OHIO**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

**NOTE 7 - RISK MANAGEMENT**

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

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

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio governments. PEP provides property and casualty coverage for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member political subdivisions pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

For an occurrence prior to January 1, 2006, PEP retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence, including loss adjustment expenses. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with PEP.

If losses exhaust PEP's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (for claims prior to January 1, 2006) or \$3,000,000 (for claims on or after January 1, 2006) as noted above.

Property Coverage

Through 2004, PEP retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable value. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2006 was \$1,901,127.

**VILLAGE OF WHARTON**  
**WYANDOT COUNTY, OHIO**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

**NOTE 7 - RISK MANAGEMENT - (Continued)**

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

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2006 and 2005:

<u>Casualty Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$ 30,997,868	\$ 29,719,675
Liabilities	<u>(15,875,741)</u>	<u>(15,994,168)</u>
Retained earnings	<u>\$ 15,122,127</u>	<u>\$ 13,725,507</u>
<u>Property Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$ 5,125,326	\$ 4,443,332
Liabilities	<u>(863,163)</u>	<u>(1,068,245)</u>
Retained earnings	<u>\$ 4,262,163</u>	<u>\$ 3,375,087</u>

At December 31, 2006 and 2005, respectively, casualty coverage liabilities noted above include approximately \$14.4 million and \$14.3 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$14.4 million and \$14.3 million of unpaid claims to be billed to approximately 447 member governments in the future, as of December 31, 2006 and 2005, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Village's share of these unpaid claims collectible in future years is approximately \$6,214. This payable includes the subsequent year's contribution due if the Village terminates participation, as described in the last paragraph below.



**VILLAGE OF WHARTON**  
**WYANDOT COUNTY, OHIO**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

**NOTE 7 - RISK MANAGEMENT - (Continued)**

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

<u>Contributions to PEP</u>	
2004	\$ 3,014
2005	\$ 3,019
2006	\$ 3,107

After completing one year of membership, members may withdraw on each anniversary of the date they joined PEP provided they give written notice to PEP 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the withdrawal.

**NOTE 8 - CONTINGENT LIABILITY**

LITIGATION

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

**NOTE 9 - ECONOMIC DEPENDENCY - MAJOR CUSTOMERS**

The Village sold approximately 55% and 49% of its electric to two customers during 2006 and 2005, respectively. Sales to those customers aggregated \$113,081 and \$87,983 during 2006 and 2005, respectively.

**NOTE 10 - SUBSEQUENT EVENT**

- A. Effective July 30, 2007, Nancy Grubbs resigned as Clerk/Treasurer and Wendy Wright was appointed to the position.
- B. On August 2, 2007, the Village was certified a loan in the amount of \$381,591 from the Ohio Water Development Authority for the design of a new Waste Water Treatment Plant.



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

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

We have audited the financial statements of the Village of Wharton, Wyandot County, Ohio, as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated November 27, 2007, wherein we noted the Village of Wharton followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Wharton's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village of Wharton's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village of Wharton's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

Members of Council and Mayor  
Village of Wharton

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting: 2006-VOW-001 through 2006-VOW-005.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, of the significant deficiencies described above we consider all of the items to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of Wharton's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed ten instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and are described in the accompanying schedule of findings and responses as items 2006-VOW-006 through 2006-VOW-015.

We noted certain matters that we reported to the management of the Village of Wharton in a separate letter dated November 27, 2007.

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

Members of Council and Mayor  
Village of Wharton

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

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.  
November 27, 2007

**VILLAGE OF WHARTON  
WYANDOT COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2006 AND 2005**

<b>1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>	
Finding Number	2006-VOW-001

**Significant Deficiency/Material Weakness**

The Village does not use a computer system to account for its general accounting and payroll functions.

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

We recommend that the Village investigate computerizing the Village operations.

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

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

Finding Number	2006-VOW-002
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**Significant Deficiency/Material Weakness**

The Village had receipts and disbursements that were posted incorrectly in accordance with the Village handbook and the Ohio Revised Code.

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

A number of material misstatements occurred in the financial statements for the years under audit that were not initially identified by the Village's internal control. The audit adjustments listed below were necessary to correct errors in the Village's financial statements. A description of each material adjustment follows:

**VILLAGE OF WHARTON  
WYANDOT COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2006 AND 2005**

<b>1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)</b>	
Finding Number	2006-VOW-002 - (Continued)

*Receipt Classification* - The Village recorded grant receipts in the miscellaneous receipt code in the General fund for the year ended December 31, 2005. Per the Village handbook, these types of receipts should be recorded in the intergovernmental receipts line item. As a result \$4,680 and \$4,577 were reclassified on the 2006 and 2005 financial statements, respectively from miscellaneous revenue to intergovernmental revenue in the General fund.

*Grants* - Audit adjustments were necessary in 2005 to correct on behalf payments made for the Village by the Ohio Public Works Commission (OPWC). Intergovernmental revenue and capital outlay were understated in the Special Revenue Fund - Street Construction, Maintenance and Repair fund by \$11,481.

We recommend that the Village consider creating an accounting and information environment that will facilitate the production of accurate financial information and related preparation of financial statements and provide for accountability of assets and the maintenance of an accurate historical record of operations. Accounting and financial information is the language of business and must be properly assessed and comprehended to allow for management to guide and direct the Village in the future. This may require and be achieved by additional training for the Fiscal Officer.

*Client Response:* Management concurs with the finding and will attempt to record transactions properly in accordance with guidance provided by the UAN manual.

Finding Number	2006-VOW-003
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**Significant Deficiency/Material Weakness**

The Village bills for sewer and electric utilities on the same bill. The Village maintains two separate funds and bank accounts for these utilities. However, when monies are collected, they are deposited and maintained in the Electric fund and bank account. The sewer amount subsequently is to be properly allocated to the sewer bank account and revenues recorded in the sewer fund in their fund ledger. A detailed separate ledger is maintained to track the amounts that are required to be placed in the sewer fund; however, amounts for 2006 and 2005 were not properly allocated to the sewer fund and sewer bank account until 2007. These amounts at December 31, 2006 and 2005 were not accurately reflected on the Village's records; however, they are properly stated in the audited financial statements due to the adjustment below being recorded.

**VILLAGE OF WHARTON  
WYANDOT COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2006 AND 2005**

<b>1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)</b>	
Finding Number	2006-VOW-003 - (Continued)

In general, the Village’s financial statements should include all receipts properly reported in respective funds and bank accounts.

As a result, the following audit adjustments were necessary:

2006

<u>Fund Type/Fund</u>	<u>Line Items</u>	<u>Increase/(Decrease)</u>	<u>Amount</u>
<u>Enterprise Fund</u>			
Sewer	Charges for services/cash	Increase	\$ 57,470
Electric	Charges for services/cash	(Decrease)	\$ (57,470)

2005

<u>Fund Type/Fund</u>	<u>Line Items</u>	<u>Increase/(Decrease)</u>	<u>Amount</u>
<u>Enterprise Funds</u>			
Sewer	Charges for services/cash	Increase	\$ 38,451
Electric	Charges for services/cash	(Decrease)	\$ (38,451)

Amounts collected for the respective utilities should be deposited and recorded in their respective funds as received, or at a minimum monthly.

We recommend that the Village consider creating an accounting and information environment that will facilitate the production of accurate financial information and related preparation of financial statements and provide for accountability of assets and the maintenance of an accurate historical record of operations. Accounting and financial information is the language of business and must be properly assessed and comprehended to allow for management to guide and direct the Village in the future. This may require and be achieved by additional training for the Clerk/Treasurer.

Client Response: In February 2007, the Clerk/Treasurer transferred the respective amounts from the Electric bank and fund accounts to the Sewer bank and fund accounts. The new Clerk/Treasurer is recording amounts recorded in the proper funds and bank accounts on a monthly basis.

**VILLAGE OF WHARTON  
WYANDOT COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2006 AND 2005**

<b>1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)</b>	
Finding Number	2006-VOW-004 - (Continued)

**Significant Deficiency/Material Weakness**

The bank statement and fund balances were not reconciled monthly and records were not in an auditable format until November 2007.

It is important to properly reconcile bank statements monthly and keep up to date with recording of financial data. This facilitates the financial management of the Village.

We recommend that the financial activity and bank reconciliations be presented to the Village Council at least monthly. We further recommend that the Village review and sign off on all monthly bank reconciliations, supporting documentation and detail data timely. This will help ensure proper fund balances. We further recommend the Village consider obtaining a periodic review of transactions recorded and bank reconciliations prior to year end close by a responsible fiscal person. This will help ensure any discrepancies found can be corrected and thus help facilitate more accurate financial reporting.

*Client Response:* The Village Council will attempt to review the monthly bank reconciliations and financial data in a timely manner.

Finding Number	2006-VOW-005
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**Significant Deficiency/Material Weakness**

Appropriate financial reports were not provided to the Village Council to provide effective monitoring over 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 and cash journals.

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



**VILLAGE OF WHARTON  
WYANDOT COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2006 AND 2005**

<b>1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)</b>	
Finding Number	2006-VOW-005 - (Continued)

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

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

*Client Response:* The Fiscal Officer will attempt to consolidate data to present on a monthly basis to the Village Council, along with supporting detailed information.

Finding Number	2006-VOW-006
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Ohio Revised Code Section 117.38 requires that cash-basis entities must file annual reports within 60 days of the fiscal year end.

The Village did not file cash-basis financial statements for 2006 and 2005 with the Auditor of State's Office timely. The Village paid a penalty of \$655 in 2005 for the lack of filing of its 2003 report. In addition to the late filing of financial reports, the Village's management is not able to review the financial records, monitor its budget and make decisions based on accurate financial information.

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

**VILLAGE OF WHARTON  
WYANDOT COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2006 AND 2005**

<b>1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)</b>	
Finding Number	2006-VOW-006 - (Continued)

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

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

Finding Number	2006-VOW-007
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Ohio Revised Code Section 5705.41(B) requires in part that no subdivision is to expend monies unless it has been appropriated.

The Village had disbursements in excess of appropriations in the following funds:

<u>Fund Type/Fund</u>	<u>2006</u>	<u>2005</u>
General	\$ 32,439	\$ 62,177
<u>Special Revenue Fund</u>		
Street Construction, Maintenance & Repair	-	36,218
<u>Enterprise Funds</u>		
Utility Deposit	60	664
Electric	135,838	57,809

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

**VILLAGE OF WHARTON  
WYANDOT COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2006 AND 2005**

<b>1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)</b>	
Finding Number	2006-VOW-007 - (Continued)

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

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

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

Finding Number	2006-VOW-008
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The Village did not approve permanent appropriations for the years ended December 31, 2006 and 2005, in noncompliance with Ohio Revised Code Section 5705.38.

The Village Council members approved temporary appropriations for the years ended December 31, 2006 and 2005 (Enterprise Funds only); however, there was no evidence of permanent appropriations approved in the minutes for either 2006 or 2005.

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

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

Client Response: The Village Clerk/Treasurer will provide the Council members with permanent appropriations for proper approval in the minutes and temporary appropriations for all funds if a delay of passing permanent appropriations is anticipated.

**VILLAGE OF WHARTON  
WYANDOT COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2006 AND 2005**

<b>1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)</b>
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Finding Number	2006-VOW-009
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Ohio Revised Code Section 5705.41 (D) requires that no orders or contracts involving the disbursement of monies are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

The Village Clerk/Treasurer issued Clerk Certificates; however, many disbursements were dated prior to the certificate and the certificates were drawn off of approved temporary appropriations (Enterprise Funds only in 2005) for the years ended December 31, 2006 and 2005.

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

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

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

**VILLAGE OF WHARTON  
WYANDOT COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2006 AND 2005**

<b>1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)</b>	
Finding Number	2006-VOW-010

Ohio Revised Code Section 5705.39 requires that no subdivision is to appropriate more monies than estimated resources.

For the years ended December 31, 2006 and 2005, the Village had appropriations exceeding estimated resources due to not filing a certificate of available sources or obtaining any amended certificates from the County, in the following funds:

<u>Fund Type/Fund</u>	<u>2006</u>	<u>2005</u>
General	\$ 16,500	\$ -
<u>Special Revenue Fund</u>		
Street Construction, Maintenance & Repair	2,500	-
<u>Enterprise Fund</u>		
Electric	134,500	104,000

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

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

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

Finding Number	2006-VOW-011
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Ohio Administrative Code Section 117-2-02(D) specifies the required accounting records that must be maintained, one of which is an appropriation ledger.

**VILLAGE OF WHARTON  
WYANDOT COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2006 AND 2005**

<b>1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)</b>	
Finding Number	2006-VOW-011 - (Continued)

For the years ended December 31, 2006 and 2005, the Village maintained an incomplete appropriation ledger. While this ledger included the disbursements in each category, there were significant items missing, such as appropriations, if applicable, and ledgers that did not always add up properly or agree to the cash journal in its entirety. In addition, the cash journal did not maintain monthly fund balances.

It is not proper budgeting stewardship for the Village to expend monies or incur obligations without maintaining an appropriation ledger to monitor that funds have been properly appropriated for such expenditures. The Village only approved temporary appropriations for the years ended December 31, 2006 and 2005 (Enterprise Funds only) which hindered this management tool.

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

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

Finding Number	2006-VOW-012
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Ohio Revised Code Section 5705.36, in part, requires fiscal officers to certify to the county auditor the total amount from all sources which are available for expenditures from each fund in the tax budget along with any unencumbered balances that existed at the end of the preceding year.

For the years ended December 31, 2006 and 2005, the Village did not certify unencumbered fund balances at January 1, 2006 and 2005, respectively.

The Village is not properly certifying its most current estimated resources to the appropriate authorities as required by law.

**VILLAGE OF WHARTON  
WYANDOT COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2006 AND 2005**

<b>1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)</b>
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Finding Number	2006-VOW-012 - (Continued)
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We recommend that the Village review its available resources versus its appropriations throughout the year and file amended certificates when necessary. This will facilitate the Village's appropriation process.

*Client Response:* The Village will file certificate of certified balances in the future.

Finding Number	2006-VOW-013
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Ohio Revised Code Section 5705.09 requires a subdivision to establish a special fund for each class of revenues derived from a source other than the general property tax which the law requires to be used for a particular purpose.

The Village received FEMA monies in the amounts of \$16,302 and \$1,780 in 2006 and 2005 respectively. However, a separate fund was not maintained as required by the federal grant.

Establishing and accounting for these funds in a separate fund will facilitate compliance with federal grant monies and will not potentially prevent the Village from further grant opportunities.

We recommend, the Village review Auditor of State Bulletin 98-013 for guidance on recording FEMA grant monies.

*Client Response:* The Village is aware of the requirement and will set up as separate fund to account for transactions should this type or similar monies be received.

Finding Number	2006-VOW-014
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Ohio Revised Code Section 5705.40 outlines the requirements for amending and supplementing appropriations. This section requires that any amendments to an appropriation measure must be made by Council resolution and comply with the same provisions of the law as used in making the original appropriations.

The Village did not properly modify its appropriations throughout the years ended December 31, 2006 and 2005.

**VILLAGE OF WHARTON  
WYANDOT COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2006 AND 2005**

<b>1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)</b>	
Finding Number	2006-VOW-014 - (Continued)

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

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

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

Finding Number	2006-VOW-015
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Ohio Revised Code Section 5705.36 in part, requires subdivisions to request increased or reduced amended certificates of estimated resources upon determination of the fiscal officer that revenue to be collected will be greater or less than the amounts on the official certificate of estimated resources.

For the years ended December 31, 2006 and December 31, 2005, the Village had appropriations exceeding estimated resources. This was a direct effect of the Clerk/Treasurer not filing the required Certificate of Available Sources or any amended certificates with the County Auditor.

The Village is not properly certifying its most current estimated resources to the appropriate authorities and thus causing appropriations to exceed estimated resources. This resulted in appropriations exceeding estimated revenues throughout the 2006 and 2005 fiscal year.

We recommend that the Village consult the Ohio Compliance Supplement, the Ohio Village manual and its auditors to ensure that Village fund balances agree to audited reports. This will enable the county auditor to perform the proper certification with accurate information. This will in turn allow the Village to properly appropriate funds within its available resources.

Client Response: The Village will request amended certificates throughout the year in the future.



**VILLAGE OF WHARTON  
WYANDOT COUNTY, OHIO**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2006 AND 2005**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:</b>
2004-VOW-001	Ohio Revised Code Section 117.38 requires that cash-basis entities must file annual reports within 60 days of the fiscal year end.	No	Finding repeated as 2006-VOW-006.
2004-VOW-002	Ohio Revised Code Section 5705.41(B) requires in part that no subdivision is to expend monies unless it has been appropriated.	No	Finding repeated as 2006-VOW-007.
2004-VOW-003	Ohio Revised Code Section 5705.38 in part requires that permanent appropriations be approved by Council by March 31.	No	Finding repeated as 2006-VOW-008.
2004-VOW-004	Ohio Revised Code Section 5705.41 (D) requires that no orders or contracts involving the expenditure of monies are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.	No	Finding repeated as 2006-VOW-009.
2004-VOW-005	Ohio Revised Code Section 5705.39 requires that no subdivision is to appropriate more monies than estimated resources.	No	Finding repeated as 2006-VOW-010.

**VILLAGE OF WHARTON  
WYANDOT COUNTY, OHIO**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2006 AND 2005**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:</b>
2004-VOW-006	Lack of accounting system that provides accurate recordkeeping and fiscal oversight.	No	Finding repeated as 2006-VOW-005.
2004-VOW-007	Failure to maintain an appropriations ledger.	No	Finding repeated as 2006-VOW-011.
2004-VOW-008	Lack of computer system to account for its general accounting and payroll functions.	No	Finding repeated as 2006-VOW-001.



Mary Taylor, CPA  
Auditor of State

VILLAGE OF WHARTON

WYANDOT COUNTY

**CLERK'S CERTIFICATION**

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
DECEMBER 24, 2007