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**VILLAGE OF WHARTON
WYANDOT COUNTY
Regular Audit
For the Years Ended December 31, 2014 and 2013**

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- Association of Certified Anti - Money Laundering Specialists •



Dave Yost • Auditor of State

Village Council
Village of Wharton
PO Box 266
Wharton, OH 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, 2013 to December 31, 2014. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

January 27, 2016

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VILLAGE OF WHARTON
WYANDOT COUNTY

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INDEPENDENT AUDITOR'S REPORT

November 13, 2015

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 and related notes of the **Village of Wharton**, Wyandot County, (the Village) as of and for the years ended December 31, 2014 and 2013.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting the 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 statement in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

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

As described in Note 1B of the financial statements, the Village prepared the 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 the 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 opinions on this accounting basis are in the *Additional Opinion Qualification* and *Unmodified Opinions* paragraphs 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, 2014 and 2013, or changes in financial position or cash flows thereof for the year then ended.

Basis for Additional Opinion Qualification

General Fund Charges for Services receipts are reported at \$5,738 for the year ended December 31, 2014, which comprise approximately 19.23% of all General Fund revenue for 2014. We were unable to obtain sufficient appropriate audit evidence supporting the amounts recorded as General Fund Charges for Services in 2014. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

Additional Opinion Qualification

In our opinion, except for the effects of the matter described in the *Basis for Additional Opinion Qualification* paragraph, the financial statements referred to above present fairly, in all material respects, the cash balances of the General Fund of the Village of Wharton, Wyandot County, as of December 31, 2014 and 2013, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1B.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Special Revenue and Enterprise Funds of the Village of Wharton, Wyandot County as of December 31, 2014 and 2013, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1B.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2015, 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.

A handwritten signature in black ink that reads "Perry & Associates CPAs A.C." in a cursive script.

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

**VILLAGE OF WHARTON
WYANDOT COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Property and Other Local Taxes	\$ 2,862	\$ -	\$ 2,862
Intergovernmental	14,872	12,449	27,321
Charges for Services	5,738	-	5,738
Earnings on Investments	38	5	43
Miscellaneous	6,335	-	6,335
	<u>29,845</u>	<u>12,454</u>	<u>42,299</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
Security of Persons and Property	237	-	237
Public Health Services	3,216	-	3,216
Basic Utility Services	7,387	-	7,387
Transportation	-	6,659	6,659
General Government	37,540	-	37,540
Capital Outlay	-	57,777	57,777
	<u>48,380</u>	<u>64,436</u>	<u>112,816</u>
Total Cash Disbursements			
<i>Net Change in Fund Cash Balances</i>	(18,535)	(51,982)	(70,517)
<i>Fund Cash Balances, January 1</i>	<u>42,775</u>	<u>112,171</u>	<u>154,946</u>
Fund Cash Balances, December 31			
Restricted	-	60,189	60,189
Unassigned	24,240	-	24,240
	<u>24,240</u>	<u>60,189</u>	<u>84,429</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 24,240</u>	<u>\$ 60,189</u>	<u>\$ 84,429</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 (CASH BASIS)
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Enterprise
Operating Cash Receipts:	
Charges for Services	\$ 273,605
Total Operating Cash Receipts	273,605
Operating Cash Disbursements:	
Personal Services	10,034
Transportation	5,599
Contractual Services	220,082
Supplies and Materials	5,646
Capital Outlay	5,469
Total Operating Cash Disbursements	246,830
Operating Income	26,775
Non-Operating Receipts (Disbursements):	
Earnings on Investments	38
Principal Retirement	(6,167)
Interest and Other Fiscal Charges	(3,030)
Other Financing Sources	90
Other Financing Uses	(2,998)
Total Non-Operating Receipts (Disbursements)	(12,067)
<i>Net Change in Fund Cash Balances</i>	14,708
<i>Fund Cash Balances, January 1</i>	406,138
<i>Fund Cash Balances, December 31</i>	\$ 420,846

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 (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Property and Other Local Taxes	\$ 2,379	\$ -	\$ 2,379
Intergovernmental	28,752	20,969	49,721
Earnings on Investments	351	5	356
Miscellaneous	4,432	-	4,432
	<u>35,914</u>	<u>20,974</u>	<u>56,888</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
Security of Persons and Property	236	-	236
Public Health Services	4,966	-	4,966
Transportation	-	2,658	2,658
General Government	31,148	-	31,148
	<u>36,350</u>	<u>2,658</u>	<u>39,008</u>
Total Cash Disbursements			
<i>Net Change in Fund Cash Balances</i>	(436)	18,316	17,880
<i>Fund Cash Balances, January 1</i>	<u>43,211</u>	<u>93,855</u>	<u>137,066</u>
Fund Cash Balances, December 31			
Restricted	-	112,171	112,171
Unassigned	42,775	-	42,775
	<u>42,775</u>	<u>-</u>	<u>42,775</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 42,775</u>	<u>\$ 112,171</u>	<u>\$ 154,946</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 (CASH BASIS)
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Enterprise
Operating Cash Receipts:	
Charges for Services	\$ 291,285
Miscellaneous	173
	291,458
Total Operating Cash Receipts	291,458
Operating Cash Disbursements:	
Personal Services	12,061
Transportation	4,599
Contractual Services	163,846
Supplies and Materials	7,613
Capital Outlay	11,408
	199,527
Total Operating Cash Disbursements	199,527
Operating Income	91,931
Non-Operating Receipts (Disbursements):	
Earnings on Investments	35
Principal Retirement	(24,001)
Interest and Other Fiscal Charges	(3,122)
Other Financing Sources	360
Other Financing Uses	(2,580)
	(29,308)
Total Non-Operating Receipts (Disbursements)	(29,308)
<i>Net Change in Fund Cash Balances</i>	62,623
<i>Fund Cash Balances, January 1</i>	343,515
<i>Fund Cash Balances, December 31</i>	\$ 406,138

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

**VILLAGE OF WHARTON
WYANDOT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

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

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

Public Entity Risk Pool:

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

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

B. Accounting Basis

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.

C. Deposits

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

D. Fund Accounting

The Village uses fund accounting to segregate cash that is restricted as to use. The Village classifies its funds into the following types:

1. General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

**VILLAGE OF WHARTON
WYANDOT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Fund:

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

3. Enterprise Funds

These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Funds:

Electric Fund – This fund receives charges for services from residents to cover electric service costs.

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

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. The Village did not use the encumbrance method of accounting.

A summary of 2014 and 2013 budgetary activity appears in Note 3.

**VILLAGE OF WHARTON
WYANDOT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. 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:

1. Nonspendable

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

2. 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.

3. 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.

4. 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.

5. 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.

**VILLAGE OF WHARTON
WYANDOT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Property, Plant and Equipment

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

H. 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.

2. EQUITY IN POOLED DEPOSITS

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

	2014	2013
Demand deposits	\$ 405,275	\$ 461,084
Certificates of deposit	100,000	100,000
Total deposits	\$ 505,275	\$ 561,084

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2014 and 2013 follows:

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 24,000	\$ 29,845	\$ 5,845
Special Revenue	10,000	12,454	2,454
Enterprise	300,000	273,733	(26,267)
Total	\$ 334,000	\$ 316,032	\$ (17,968)

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 66,775	\$ 48,380	\$ 18,395
Special Revenue	68,127	64,436	3,691
Enterprise	686,522	259,025	427,497
Total	\$ 821,424	\$ 371,841	\$ 449,583

**VILLAGE OF WHARTON
WYANDOT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 24,000	\$ 35,914	\$ 11,914
Special Revenue	14,000	20,974	6,974
Enterprise	453,360	291,853	(161,507)
Total	\$ 491,360	\$ 348,741	\$ (142,619)

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 67,211	\$ 36,350	\$ 30,861
Special Revenue	107,855	2,658	105,197
Enterprise	786,815	229,230	557,585
Total	\$ 961,881	\$ 268,238	\$ 693,643

4. DEBT

Debt outstanding at December 31, 2014 was as follows:

	Principal	Interest
OWDA - Loan #5667	\$ 197,393	1.50%
OWDA - Loan #5534	346,200	0.00%
	\$ 543,593	

In 2007, the Village entered an agreement to receive a loan from OWDA to cover the design and planning costs of two sewer projects. The remaining balance of this loan was received February 18, 2010 and total principal in the amount of \$219,082 was to be paid back over a 5-year period ending January 1, 2015. On July 23, 2010, the Village refinanced this loan agreement with OWDA, which extended the payback period to 30 years. Due to the refinancing agreement, the original 5-year loan was closed and recorded as principal retirement. The reissuance of the 30-year loan was recorded as proceeds of notes in the amount of \$221,514.

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

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

**VILLAGE OF WHARTON
WYANDOT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(Continued)**

4. DEBT (Continued)

Year ending December 31:	OWDA #5667	OWDA #5534
2015	\$ 9,197	\$ 8,433
2016	9,197	21,792
2017	9,197	21,792
2018	9,197	21,792
2019	9,197	21,792
2020-2024	45,983	108,958
2025-2029	45,983	108,958
2030-2034	45,983	32,686
2035-2039	45,983	-
2040-2041	13,795	-
Total	<u>\$ 243,712</u>	<u>\$ 346,200</u>

5. PROPERTY TAX

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

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

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

6. RETIREMENT SYSTEMS

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

The Ohio Revised Code also prescribes contribution rates. For 2014 and 2013, OPERS members contributed 10.0% of their gross salaries, and the Village contributed an amount equaling 14.0% of participants' gross salaries. The Village has paid all contributions required through December 31, 2014.

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.

**VILLAGE OF WHARTON
WYANDOT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(Continued)**

7. RISK MANAGEMENT (Continued)

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

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2014, 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 accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2013 and 2014:

	<u>2013</u>	<u>2014</u>
Assets	\$34,411,883	\$35,402,177
Liabilities	<u>(12,760,194)</u>	<u>(12,363,257)</u>
Net Position	<u>\$21,651,689</u>	<u>\$23,038,920</u>

At December 31, 2013 and 2014, respectively, the liabilities above include approximately \$11.6 million and \$11.1 million of estimated incurred claims payable. The assets above also include approximately \$11.1 million and \$10.8 million of unpaid claims to be billed. The Pool's membership increased from 475 members in 2013 to 488 members in 2014. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2014, the Village's share of these unpaid claims collectible in future years is approximately \$3,000.

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

**VILLAGE OF WHARTON
WYANDOT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(Continued)**

7. RISK MANAGEMENT (Continued)

<u>Contributions to PEP</u>	
<u>2013</u>	<u>2014</u>
\$4,492	\$4,147

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.

8. ECONOMIC DEPENDENCY – MAJOR CUSTOMERS

The Village sold approximately 10% of its electric to two customers during 2014 and approximately 43% during 2013. Sales to those customers aggregated approximately \$29,000 and \$44,000 during 2014 and 2013, respectively.



428 Second St.
Marietta, OH 45750
740.373.0056

1035 Murdoch Ave.
Parkersburg, WV 26101
304.422.2203

104 South Sugar St.
St. Clairsville, OH 43950
740.695.1569

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

November 13, 2015

Village of Wharton
Wyandot County
PO Box 266
Wharton, OH 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 **Village of Wharton**, Wyandot County (the Village) as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements and have issued our report thereon dated October 31, 2015, 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. We qualified our opinion on General Fund Charges for Services receipts for 2014.

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.

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



...“bringing more to the table”

Tax – Accounting – Audit – Review – Compilation – Agreed Upon Procedure – Consultation – Bookkeeping – Payroll
Litigation Support – Financial Investigations

Members: American Institute of Certified Public Accountants

• Ohio Society of CPAs • West Virginia Society of CPAs • Association of Certified Fraud Examiners •
• Association of Certified Anti - Money Laundering Specialists •



Internal Control Over Financial Reporting (Continued)

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 a 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 internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2014-001 through 2014-008 described in the accompanying schedule of audit findings to be material weaknesses.

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 2014-006 through 2014-008.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated November 13, 2015.

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, 2014 AND 2013

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

FINDING NUMBER 2014-001

Material Weakness

Posting Receipts and Disbursements

Receipts and disbursements should be posted to the fund and line item accounts as established by Ohio Administrative Code.

Receipts and disbursements were not always posted correctly. For example:

- Principal and interest payments were incorrectly posted as entirely Principal payments in 2013 and 2014.
- Principal and interest payments were incorrectly posted as Capital Outlay disbursements in 2013.
- State receipts were incorrectly posted as Miscellaneous revenue instead of Intergovernmental revenue in 2013.
- Sewer and Electric Enterprise funds were adjusted to agree to the ending Bank Reconciliation balances in 2014.

This resulted in several reclassification entries being made to the Village's financial statements. The accompanying 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 receipts and disbursements are properly identified and classified on the financial statements.

We also recommend the Clerk Treasurer refer to the Ohio Village Handbook for guidance to determine the proper establishment of receipt and disbursement accounts and posting of receipts and disbursements.

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

FINDING NUMBER 2014-002

Material Weakness

Cash Reconciliation

The Village did not properly perform bank reconciliations for the years ended December 31, 2014 and 2013.

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

VILLAGE OF WHARTON
WYANDOT COUNTY

SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

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

FINDING NUMBER 2014-002 (CONTINUED)

Material Weakness (Continued)

Cash Reconciliation (Continued)

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

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

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

FINDING NUMBER 2014-003

Material Weakness

Utility Billing, Collections and Adjustments

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

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

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

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.

VILLAGE OF WHARTON
WYANDOT COUNTY

SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

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

FINDING NUMBER 2014-004

Material Weakness

Village Council Oversight

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

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

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

To assist management in detecting potential material financial and/or compliance transactions that may affect financial operations, we recommend the Village Council become more involved in the review and monitoring of the Village financial operations. Some of the methods of monitoring may consist of, but 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/disbursements with independently accumulated information (budgets, past performance, etc.);
- Review of unusual or significant items, long outstanding items, and;
- Review of monthly bank reconciliations.

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

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

FINDING NUMBER 2014-005

Material Weakness

Supporting Documentation

During testing of various transactions, Garbage Bag receipts, and Miscellaneous receipts it was determined that supporting documentation was not maintained for the following:

- Supporting documentation such as an invoice was not maintained for 2 out of 29 transactions tested in 2014.
- Supporting documentation such as receipt support and deposit slips were not maintained for 7 out of 7 Garbage Bag receipts tested in 2014.

VILLAGE OF WHARTON
WYANDOT COUNTY

SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

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

FINDING NUMBER 2014-005 (CONTINUED)

Material Weakness (Continued)

Supporting Documentation (Continued)

- Supporting documentation such as receipt support and deposit slips were not maintained for 3 out of 6 Miscellaneous receipts tested in 2014.

We were not able to perform additional testing to gain assurances for the disbursements, Garbage Bag receipts, and Miscellaneous receipts above. The lack of adequate supporting documentation increases the possibility the Village could be paying for unallowable items or losing out on revenue.

The Village should maintain detailed support for all financial activity. The Village should establish procedures to ensure invoices are maintained and receipt support is on file. This will help ensure the Village is paying for only allowable items and receiving the correct amount of revenue.

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

FINDING NUMBER 2014-006

Material Weakness/Noncompliance

Purchase Orders

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

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

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

VILLAGE OF WHARTON
WYANDOT COUNTY

SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

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

FINDING NUMBER 2014-006 (CONTINUED)

Material Weakness/Noncompliance (Continued)

Purchase Orders (Continued)

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, 2014 and 2013.

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

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

FINDING NUMBER 2014-007

Material Weakness/Noncompliance

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

During 2014, the Village failed to record in their accounting system or deposit in their checking account any revenue received from the State or County for the last 6 months of 2014. The Village failed to properly deposit \$3,073 of County revenue, received in 2014, into the Village’s operating account until January 2015. The Village also failed to properly deposit \$9,411 of State revenue, received in 2014, into the Village’s operating account. This resulted in the Village’s Property Tax revenue and Intergovernmental revenue being understated in 2014.

VILLAGE OF WHARTON
WYANDOT COUNTY

SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

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

FINDING NUMBER 2014-007 (CONTINUED)

Material Weakness/Noncompliance (Continued)

All but one of the 14 undeposited 2014 State receipts were voided by the State before being deposited by the Village in 2015. We were unable to determine whether the Village has taken any remedial steps to recover the \$8,916 in voided State revenue received in 2014.

Also during 2013 and 2014, utility receipts were deposited with the designated depository after the required time limitation. Delays of this nature could cause Village daily receipts to be lost or misplaced without being detected in a timely manner. The Village should properly safeguard receipts and implement House Bill 220 (Auditor of State Bulletin 99-020) relative to depositing requirements and procedures. This House Bill requires that monies be deposited on the next business day if the amounts of daily receipts exceed \$1,000.

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

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

FINDING NUMBER 2014-008

Material Weakness/Non Compliance

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

The Village was required to pay penalties and interest to the Internal Revenue Service during the audit period due to delayed remittance of withholding taxes. Also, the Village was holding and remitting Federal, State, and Local Taxes for employees not associated with the Village.

We recommend the Village establish procedures to assure that federal and state taxes withheld from the gross wages of all employees be remitted to the appropriate agency on a quarterly basis. We also recommend that the Village no longer hold or remit Federal, State, or Local Taxes for employees not associated with the Village.

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

**VILLAGE OF WHARTON
WYANDOT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2012-001	Posting Receipts and Disbursements	No	Repeated as Finding 2014-001
2012-002	Cash Reconciliation	No	Repeated as Finding 2014-002
2012-003	Utility Billing, Collections and Adjustments	No	Repeated as Finding 2014-003
2012-004	Village Council Oversight	No	Repeated as Finding 2014-004
2012-005	ORC Section 5705.41(D) Purchase Orders	No	Repeated as Finding 2014-006
2012-006	ORC Section 5705.10 Negative Fund Balances	Yes	N/A
2012-007	Budgetary Controls	Yes	N/A

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Dave Yost • Auditor of State

VILLAGE OF WHARTON

WYANDOT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
FEBRUARY 9, 2016