



**VILLAGE OF WHARTON  
WYANDOT COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2020-2019**



**VILLAGE OF WHARTON  
 WYANDOT COUNTY  
 DECEMBER 31, 2020 AND 2019**

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**INDEPENDENT AUDITOR'S REPORT**

Village of Wharton  
Wyandot County  
117 Sandusky Street East  
Wharton, Ohio 43359

To the Village Council:

***Report on the Financial Statements***

We have audited the accompanying financial statements of the cash balances, receipts and disbursements for each governmental and proprietary fund type as of and for the year ended December 31, 2020 and for each governmental and proprietary fund type as of and for the year ended December 31, 2019, and related notes of the Village of Wharton, Wyandot County, Ohio (the Village).

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

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

***Auditor's Responsibility***

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

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

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

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

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

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

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

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

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village, as of December 31, 2020 and 2019, and the respective changes in financial position or cash flows thereof for the year then ended.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements for each governmental and proprietary fund type as of and for the year ended December 31, 2020 and for each governmental and proprietary fund type as of and for the year ended December 31, 2019, and related notes of the Village, in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

***Emphasis of Matter***

As discussed in Note 13 to the 2020 financial statements and in Note 12 to the 2019 financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Village. We did not modify our opinion regarding this matter.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 16, 2022, 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.



Keith Faber  
Auditor of State  
Columbus, Ohio

May 16, 2022

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**Village of Wharton**  
*Wyandot County*  
*Combined Statement of Receipts, Disbursements*  
*and Changes in Fund Balances (Regulatory Cash Basis)*  
*All Governmental Fund Types*  
*For the Year Ended December 31, 2020*

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$18,860		\$18,860
Intergovernmental	11,714	\$27,827	39,541
Fines, Licenses and Permits	3,771		3,771
Earnings on Investments	120	25	145
Miscellaneous	9,365		9,365
<i>Total Cash Receipts</i>	<u>43,830</u>	<u>27,852</u>	<u>71,682</u>
<b>Cash Disbursements</b>			
Current:			
Security of Persons and Property	952		952
Public Health Services	2,500		2,500
Transportation		7,354	7,354
General Government	28,875		28,875
<i>Total Cash Disbursements</i>	<u>32,327</u>	<u>7,354</u>	<u>39,681</u>
<i>Net Change in Fund Cash Balances</i>	11,503	20,498	32,001
<i>Fund Cash Balances, January 1</i>	<u>82,967</u>	<u>144,361</u>	<u>227,328</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$94,470</u></u>	<u><u>\$164,859</u></u>	<u><u>\$259,329</u></u>

*See accompanying notes to the financial statements.*

**Village of Wharton**  
*Wyandot County*  
*Combined Statement of Receipts, Disbursements*  
*and Changes in Fund Balances (Regulatory Cash Basis)*  
*Proprietary Fund Type*  
*For the Year Ended December 31, 2020*

	Enterprise
<b>Operating Cash Receipts</b>	
Charges for Services	\$253,340
<b>Operating Cash Disbursements</b>	
Personal Services	13,979
Contractual Services	163,072
Supplies and Materials	13,098
<i>Total Operating Cash Disbursements</i>	190,149
<i>Operating Income</i>	63,191
<b>Non-Operating Receipts (Disbursements)</b>	
Earnings on Investments	56
Capital Outlay	(6,078)
Principal Retirement	(15,494)
Other Financing Sources	1,110
Other Financing Uses	(4,539)
<i>Total Non-Operating Receipts (Disbursements)</i>	(24,945)
<i>Net Change in Fund Cash Balances</i>	38,246
<i>Fund Cash Balances, January 1</i>	594,812
<i>Fund Cash Balances, December 31</i>	\$633,058

*See accompanying notes to the financial statements.*

**Village of Wharton**  
*Wyandot County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2020*

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**Note 1 – Reporting Entity**

The Village of Wharton, Wyandot County, Ohio (the Village), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides electric and sewer utilities, and park operations. The Village contracts with the Wyandot County Sheriff's department to provide security of persons and property. The Wharton Community Fire Department provides fire protection services to the Village residents.

***Jointly Governed Organization and Public Entity Risk Pool***

The Village participates in a jointly governed organization and a public entity risk pool. Notes 7 and 11 to the financial statements provide additional information for these entities. The Village's management believes these financial statements present all activities for which the Village is financially accountable.

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

***Basis of Presentation***

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

***Fund Accounting***

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

***General Fund*** The General fund accounts for and reports all financial resources not accounted for and reported in another fund. The General fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

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

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

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

**Village of Wharton**  
*Wyandot County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2020*

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***Electricity Fund*** The Electricity fund receives charges for services from residents to cover the cost of providing this utility.

***Basis of Accounting***

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

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

***Budgetary Process***

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

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

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

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

A summary of 2020 budgetary activity appears in Note 4.

***Capital Assets***

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

***Fund Balance***

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

***Nonspendable*** The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact. For regulatory purposes nonspendable fund balance includes unclaimed monies that are required to be held for five years before they may be utilized by the Village and the nonexpendable portion of the corpus in permanent funds.

**Village of Wharton**  
*Wyandot County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2020*

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

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

**Assigned** Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. For regulatory purposes, assigned fund balance in the General fund is limited to encumbrances outstanding at year end.

**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.

For regulatory purposes, limited disclosure related to fund balance is included in Note 12.

**Note 3 – Compliance**

Contrary to Ohio law, no certificates of estimated resources were certified by the county budget commission. Because of this, appropriations exceeded estimated resources for all fund types in 2020.

In addition, contrary to Ohio law, the Village did not issue any purchase orders for the year ended December 31, 2020.

**Note 4 – Budgetary Activity**

Budgetary activity for the year ending December 31, 2020, follows:

2020 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General		\$43,830	\$43,830
Special Revenue		27,852	27,852
Enterprise		254,506	254,506
Total		\$326,188	\$326,188

**Village of Wharton**  
*Wyandot County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2020*

2020 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$48,782	\$32,327	\$16,455
Special Revenue	15,000	7,354	7,646
Enterprise	414,000	216,260	197,740
<b>Total</b>	<b>\$477,782</b>	<b>\$255,941</b>	<b>\$221,841</b>

**Note 5 – Deposits**

To improve cash management, cash received by the Village is pooled. Monies for all funds are maintained in this pool. The Ohio Revised Code prescribes allowable deposits and investments. A summary of the Village’s deposit accounts are as follows:

	2020
<b><i>Cash Management Pool:</i></b>	
Demand deposits	\$792,387
Certificates of deposit	100,000
Total deposits	<b>\$892,387</b>

The Village does not use a separate payroll clearing account. The expenditures included in the accompanying financial statement reflect net payroll plus all remitted payroll withholdings. At December 31, 2020, the village is holding \$0 in unremitted employee payroll withholdings.

***Deposits***

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

**Note 6 – Taxes**

***Property Taxes***

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

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

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

**Village of Wharton**  
*Wyandot County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2020*

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**Note 7 – Risk Management**

***Risk Pool Membership***

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

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

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

	<u>2020</u>
Cash and investments	\$40,318,971
Actuarial liabilities	\$14,111,510

**Note 8 – Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Village contributed an amount equaling 14 percent of participants’ gross salaries. The Village has paid all contributions required through December 31, 2020.

**Note 9 – Postemployment Benefits**

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2020. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2020.

**Village of Wharton**  
*Wyandot County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2020*

**Note 10 – Debt**

Debt outstanding at December 31, 2020, was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan #5534	\$228,811	0%
Ohio Water Development Authority Loan #5667	161,781	1.50%
Ohio Public Works Commission Loan #CT40Q	12,683	0%
Total	\$403,275	

The Ohio Water Development Authority (OWDA) loans relate to a sewer plant expansion project the Ohio Environmental Protection Agency mandated. The OWDA approved \$657,345 in loans to the Village for this project. The Village will repay OWDA loan #5667 in semiannual installments of \$4,598 including interest, over 30 years. The Village will repay OWDA loan #5534 in semiannual installments of \$10,896, over 20 years. Sewer receipts collateralize the loans. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Public Works Commission (OPWC) interest-free loan relates to Sandusky Street improvements. The OPWC approved \$25,366 in a loan to the Village. The Village will repay the loan in semi-annual installments of \$1,268 over a period of 10 years. Due to the COVID-19 pandemic, no amounts were due in 2020.

***Amortization***

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

Year Ending December 31:	OWDA Loan #5534	OWDA Loan #5667	OPWC Loan #CT40Q
2021	\$21,792	\$9,197	\$2,537
2022	21,792	9,197	2,537
2023	21,792	9,197	2,537
2024	21,792	9,197	2,537
2025	21,792	9,197	2,535
2026-2030	108,960	45,983	
2031-2035	10,891	45,983	
2036-2040		45,983	
2041		9,197	
Total	\$228,811	\$193,129	\$12,683

**Note 11 – Jointly Governed Organization**

Wharton Richland Union Cemetery is a jointly governed organization. This Board is composed of both village council members and township trustees. All banking and financial paperwork is done separately.



**Village of Wharton**  
*Wyandot County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2020*

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**Note 12 – Fund Balances**

The fund balance of Special Revenue funds is restricted.

**Note 13 – COVID-19**

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Village. The impact on the Village's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

**Note 14 – Miscellaneous Receipts**

Miscellaneous receipts within the General fund consist largely of farm rent, non-governmental grants and reimbursements.

**Village of Wharton**  
*Wyandot County*  
*Combined Statement of Receipts, Disbursements*  
*and Changes in Fund Balances (Regulatory Cash Basis)*  
*All Governmental Fund Types*  
*For the Year Ended December 31, 2019*

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$23,662		\$23,662
Intergovernmental	10,773	\$22,883	33,656
Fines, Licenses and Permits	2,152		2,152
Earnings on Investments	53	6	59
Miscellaneous	632		632
<i>Total Cash Receipts</i>	<u>37,272</u>	<u>22,889</u>	<u>60,161</u>
<b>Cash Disbursements</b>			
Current:			
Security of Persons and Property	263		263
Public Health Services	358		358
Transportation		5,419	5,419
General Government	29,727		29,727
Debt Service:			
Principal Retirement		2,537	2,537
<i>Total Cash Disbursements</i>	<u>30,348</u>	<u>7,956</u>	<u>38,304</u>
<i>Net Change in Fund Cash Balances</i>	6,924	14,933	21,857
<i>Fund Cash Balances, January 1</i>	<u>76,043</u>	<u>129,428</u>	<u>205,471</u>
<b>Fund Cash Balances, December 31:</b>			
Restricted		144,361	144,361
Assigned	48,782		48,782
Unassigned	34,185		34,185
<i>Fund Cash Balances, December 31</i>	<u>\$82,967</u>	<u>\$144,361</u>	<u>\$227,328</u>

*See accompanying notes to the financial statements.*

**Village of Wharton**  
*Wyandot County*  
*Combined Statement of Receipts, Disbursements*  
*and Changes in Fund Balances (Regulatory Cash Basis)*  
*Proprietary Fund Type*  
*For the Year Ended December 31, 2019*

	Enterprise
<b>Operating Cash Receipts</b>	
Charges for Services	\$248,232
Miscellaneous	112
	248,344
<i>Total Operating Cash Receipts</i>	<i>248,344</i>
<b>Operating Cash Disbursements</b>	
Personal Services	15,722
Contractual Services	168,879
Supplies and Materials	7,628
	192,229
<i>Total Operating Cash Disbursements</i>	<i>192,229</i>
<i>Operating Income</i>	<i>56,115</i>
<b>Non-Operating Receipts (Disbursements)</b>	
Earnings on Investments	10
Capital Outlay	(7,831)
Principal Retirement	(30,988)
Other Financing Sources	720
Other Financing Uses	(8,708)
	(46,797)
<i>Total Non-Operating Receipts (Disbursements)</i>	<i>(46,797)</i>
<i>Net Change in Fund Cash Balances</i>	<i>9,318</i>
<i>Fund Cash Balances, January 1</i>	<i>585,494</i>
<i>Fund Cash Balances, December 31</i>	<i>\$594,812</i>

*See accompanying notes to the financial statements.*

**Village of Wharton**  
*Wyandot County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*

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**Note 1 – Reporting Entity**

The Village of Wharton, Wyandot County, Ohio (the Village), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides electric and sewer utilities, and park operations. The Village contracts with the Wyandot County Sheriff's department to provide security of persons and property. The Wharton Community Fire Department provides fire protection services to the Village residents.

***Jointly Governed Organization and Public Entity Risk Pool***

The Village participates in a jointly governed organization and a public entity risk pool. Notes 7 and 11 to the financial statements provide additional information for these entities. The Village's management believes these financial statements present all activities for which the Village is financially accountable.

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

***Basis of Presentation***

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

***Fund Accounting***

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

***General Fund*** The General fund accounts for and reports all financial resources not accounted for and reported in another fund. The General fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

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

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

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

**Village of Wharton**  
*Wyandot County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*

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***Electricity Fund*** The Electricity fund receives charges for services from residents to cover the cost of providing this utility.

***Basis of Accounting***

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

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

***Budgetary Process***

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

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

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

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

A summary of 2019 budgetary activity appears in Note 4.

***Capital Assets***

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

***Fund Balance***

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

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

**Village of Wharton**  
*Wyandot County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*

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

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

**Assigned** Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*.

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

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

**Note 3 – Compliance**

Contrary to Ohio law, no certificates of estimated resources were certified by the county budget commission. Also, the Village did not approve appropriations for 2019. Because of this, expenditures exceeded appropriations for all fund types in 2019.

In addition, contrary to Ohio law, the Village did not issue any purchase orders for the year ended December 31, 2019.

**Note 4 – Budgetary Activity**

Budgetary activity for the year ending December 31, 2019, follows:

Fund Type	2019 Budgeted vs. Actual Receipts		
	Budgeted Receipts	Actual Receipts	Variance
General		\$37,272	\$37,272
Special Revenue		22,889	22,889
Enterprise		249,074	249,074
Total		\$309,235	\$309,235

**Village of Wharton**  
*Wyandot County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*

2019 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General		\$30,348	(\$30,348)
Special Revenue		7,956	(7,956)
Enterprise		239,756	(239,756)
Total		\$278,060	(\$278,060)

**Note 5 – Deposits**

To improve cash management, cash received by the Village is pooled. Monies for all funds are maintained in this pool. The Ohio Revised Code prescribes allowable deposits and investments. A summary of the Village’s deposit accounts are as follows:

	2019
<i>Cash Management Pool:</i>	
Demand deposits	\$822,140

The Village does not use a separate payroll clearing account. The expenditures included in the accompanying financial statement reflect net payroll plus all remitted payroll withholdings. At December 31, 2019, the village is holding \$0 in unremitted employee payroll withholdings.

***Deposits***

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

**Note 6 – Taxes**

***Property Taxes***

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

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

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

**Village of Wharton**  
*Wyandot County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*

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**Note 7 – Risk Management**

***Risk Pool Membership***

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

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

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

	<u>2019</u>
Cash and investments	\$38,432,610
Actuarial liabilities	\$14,705,917

**Note 8 – Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Village contributed an amount equaling 14 percent of participants’ gross salaries. The Village has paid all contributions required through December 31, 2019.

**Note 9 – Postemployment Benefits**

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2019. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2019.



**Village of Wharton**  
*Wyandot County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*

**Note 10 – Debt**

Debt outstanding at December 31, 2019, was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan #5534	\$239,707	0%
Ohio Water Development Authority Loan #5667	165,141	1.50%
Ohio Public Works Commission Loan #CT40Q	12,683	0%
Total	\$417,531	

The Ohio Water Development Authority (OWDA) loans relate to a sewer plant expansion project the Ohio Environmental Protection Agency mandated. The OWDA approved \$657,345 in loans to the Village for this project. The Village will repay OWDA loan #5667 in semiannual installments of \$4,598 including interest, over 30 years. The Village will repay OWDA loan #5534 in semiannual installments of \$10,896, over 20 years. Sewer receipts collateralize the loans. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Public Works Commission (OPWC) interest-free loan relates to Sandusky Street improvements. The OPWC approved \$25,366 in a loan to the Village. The Village will repay the loan in semi-annual installments of \$1,268 over a period of 10 years.

***Amortization***

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

Year Ending December 31:	OWDA Loan #5534	OWDA Loan #5667	OPWC Loan #CT40Q
2020	\$21,792	\$9,197	\$2,537
2021	21,792	9,197	2,537
2022	21,792	9,197	2,537
2023	21,792	9,197	2,537
2024	21,792	9,197	2,535
2025-2029	108,960	45,983	
2030-2034	21,787	45,983	
2035-2039		45,983	
2040-2041		13,792	
Total	\$239,707	\$197,726	\$12,683

**Note 11 – Jointly Governed Organization**

Wharton Richland Union Cemetery is a jointly governed organization. This Board is composed of both village council members and township trustees. All banking and financial paperwork is done separately.

**Village of Wharton**  
*Wyandot County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*

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**Note 12 – Subsequent Event**

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Village. The impact on the Village's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

# OHIO AUDITOR OF STATE KEITH FABER



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

Village of Wharton  
Wyandot County  
117 Sandusky Street East  
Wharton, Ohio 43359

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements for each governmental and proprietary fund type as of and for the year ended December 31, 2020 and for each governmental and proprietary fund type as of and for the year ended December 31, 2019, and the related notes to the financial statements, and have issued our report thereon dated May 16, 2022, wherein we noted the Village followed financial reporting provisions Ohio Rev. Code §117.38 and Ohio Admin. Code 117-2-03(D) permit. We also noted the financial impact of COVID-19 and the continuing emergency measures, which may impact subsequent periods of the Village.

### ***Internal Control Over Financial Reporting***

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2020-001, 2020-002, 2020-006 and 2020-007 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 financial statement. 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 findings as items 2020-003 through 2020-007.

***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 report is not suitable for any other purpose.



Keith Faber  
Auditor of State  
Columbus, Ohio

May 16, 2022

**VILLAGE OF WHARTON  
WYANDOT COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2020 AND 2019**

<b>1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2020-001**

**Material Weakness**

**Financial Reporting**

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C Section 210 paragraphs .A14 & .A16.

The following errors were noted in the Village's financial statements:

- Property tax receipts in the amount of \$11,778 and \$4,179 within the General fund were improperly recorded as intergovernmental receipts in 2019 and 2020, respectively.
- Property tax receipts in the amount of \$5,232 within the General fund were improperly recorded as miscellaneous receipts in 2020.
- Kilowatt-Hour tax receipts in the amount of \$10,812 and \$3,099 within the General fund were improperly recorded as intergovernmental receipts rather than as property and other local taxes receipts in 2019 and 2020, respectively.
- Intergovernmental receipts in the amount of \$4,202 and \$5,402 within the General Fund were improperly recorded as miscellaneous receipts in 2019 and 2020, respectively.

These errors were the result of inadequate policies and procedures in reviewing the financial statements and notes to the financial statements. The failure to prepare complete and accurate financial statements and notes to the financial statements could lead to the financial statement user making misinformed decisions about the Village's financial position. The financial statements and notes to the financial statements have been adjusted to correct these and other errors. In addition to the adjustments noted above, we also identified additional misstatements ranging from \$421 to \$2,552 that we have brought to the Village's attention.

To help ensure the Village's financial statements and notes to the financial statements are complete and accurate, the Village should adopt policies and procedures, including a final review of the financial statements and notes to the financial statements by the Fiscal Officer and Council, to help identify and correct errors and omissions.

## FINDING NUMBER 2020-002

### Material Weakness

#### Budgetary Amounts Not Recorded in Accounting System

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C Section 210 paragraphs .A14 & .A16.

Sound accounting practices require accurately posting estimated receipts and appropriations to the ledgers to provide information for budget versus actual comparison and to allow the Council to make informed decisions regarding budgetary matters.

The Appropriation resolution and subsequent amendments establish the legal spending authority of the Village and the appropriation ledger provides the process by which the Village controls spending, it is therefore necessary the amounts appropriated by the Council are precisely stated and accurately posted to the appropriation ledger.

The original certificate and amendments establish the amounts available for expenditures for the Village and the receipts ledger provides the process by which the Village controls what is available, it is therefore necessary the amounts estimated by the County Budget Commission are posted accurately to the receipts ledger.

Budgetary amounts were not input into the Village's accounting system, causing the following errors in the Village's Budgetary Activity notes to the financial statements:

- Appropriation Authority posted in the accounting system and used in the Budgetary Activity notes to the financial statements did not agree to amounts approved by Village Council in the following amounts:
  - 2020 General – \$48,782;
  - 2020 Special Revenue – \$15,000; and
  - 2020 Enterprise - \$414,000.

The Budgetary Activity notes to the financial statements have been adjusted to correct these errors.

The Village did not have procedures in place to post authorized budgetary measures to the accounting system. The appropriations approved by Council were not posted to the accounting system. Additionally, because the Village did not obtain approved Certificates of Estimated Resources (and/or amendments thereof), no budgeted revenue amounts were posted to the accounting system.

Failure to post the appropriations and estimated resources to the ledgers could result in overspending and negative cash balances. In addition, this could lead to inaccurate reporting of the budgetary information in the financial statements.

To effectively control the budgetary cycle and to maintain accountability over receipts and expenditures, the Village should post to the ledgers, on a timely basis, estimated resources as certified by the budget commission and appropriations approved by the Council. The Village should then monitor budget versus actual reports to help ensure amended certificates of resources and appropriations have been properly posted to the ledgers.

### FINDING NUMBER 2020-003

#### Noncompliance

**Ohio Rev. Code § 5705.38(A)** requires on or about the first day of each fiscal year, an appropriation measure be passed. The Village may pass a temporary appropriation measure to meet their ordinary expenses until April 1st, at which time a permanent appropriation measure must be passed.

**Ohio Rev. Code § 5705.41(B)** prohibits a subdivision or taxing authority unit from making any expenditure of money unless it has been appropriated in accordance with the Ohio Revised Code.

Due to inadequate policies and procedures in approving and reviewing budget versus actual information, the Village did not adopt a permanent appropriation measure for fiscal year 2019. As a result, the Village's General and Street Construction Maintenance and Repair funds had expenditures in excess of appropriations of \$30,348 and \$7,956, as of December 31, 2019, respectively. Further, the Village did not adopt a permanent appropriation measure for 2020 until October 19, 2020.

Failure to have adequate appropriations in place at the time expenditures are made could cause expenditures to exceed available resources, further resulting in deficit spending practices.

The Village should adopt a permanent appropriation measure by April 1<sup>st</sup> each year. The Village Council should closely monitor expenditures and appropriations and make the necessary appropriation amendments, if possible, to reduce the likelihood of expenditures exceeding appropriations. Additionally, the Fiscal Officer should deny payment requests exceeding appropriations when appropriations are inadequate to cover the expenditures.

### FINDING NUMBER 2020-004

#### Noncompliance

**Ohio Rev. Code § 5705.36(A)(1)** provides, in part, on or about the first day of each fiscal year, the fiscal officer of each subdivision and other taxing unit shall certify to the county auditor the total amount from all sources available for expenditures from each fund set up in the tax budget or, if adoption of a tax budget was waived under section 5705.281 of the Revised Code, from each fund created by or on behalf of the taxing authority.

The budget commission, taking into consideration the balances and revenues to be derived from taxation and other sources, shall revise its estimate of the amounts that will be credited to each fund from such sources, and shall certify to the taxing authority of each subdivision an amended official certificate of estimated resources.

The Fiscal Officer did not certify to the County Auditor the total amount from all sources available for expenditures from each fund or obtain a certificate of estimated resources from the Budget Commission in 2019 or 2020. This was not detected by the Village due to deficiencies in the budgetary compliance and monitoring control policies and procedures. Failure to obtain the required amended certificate of estimated resources can lead to improper budgeting and limits the effectiveness of management monitoring. Additionally, by failing to certify estimated resources, the Village is also noncompliant with **Ohio Rev. Code § 5705.39** for the year ended December 31, 2020 as appropriations of \$48,782 and \$15,000 for the General and Street Construction Maintenance and Repair funds exceeded estimated resources certified by the budget commission of \$0.

The Fiscal Officer should, on or about the first day of each fiscal year, certify to the county auditor the total amount from all sources available for expenditures from each fund and obtain the approved amended certificate of estimated resources. Additionally, the Village should draft, approve, and implement procedures to compare appropriations to estimated resources and, if adequate resources are available for additional appropriations, the Village should submit an amended certificate of estimated resources to the budget commission for certification. If the resources are not available to cover the appropriations, an amendment to the appropriation resolution should be passed by the Village Council to reduce the appropriations.

#### FINDING NUMBER 2020-005

##### Noncompliance

**Ohio Rev. Code § 5705.41(D)(1)** provides that no orders or contracts involving the expenditure of money are to be made unless there is attached thereto a certificate of the fiscal officer certifying 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. Every such contract made without such a certificate shall be void and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that treasurer'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 Ohio Rev. Code §§ 5705.41(D)(1) and 5705.41(D)(3), respectively.

1. "Then and Now" certificate – If the chief fiscal officer can certify both at the time the contract or order was made ("then"), and at the time the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collections, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, Council can authorize the drawing of a warrant for the payment of the amount due. Council has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts less than \$100 in counties and less than \$3,000 in all other subdivisions may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.

2. Blanket Certificate – The auditor or fiscal officer may prepare "blanket" certificates for a certain sum of money, not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority, against any specific line item account over a period not running beyond the end of the current fiscal 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.
3. Super Blanket Certificate – The Village Council may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel oil, gasoline, food items, roadway materials, utilities, and any other specific recurring and reasonably predictable operating expense. This certification may, but need not, be limited to a specific vendor. This certification is not to extend beyond the current fiscal year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.



Due to deficiencies in internal controls, the Village did not utilize purchase orders during the audit period, and there was no evidence the Village followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

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 help ensure purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, the Fiscal Officer should certify the funds are or will be available prior to obligation by the Village. When prior certification is not possible, "then and now" certification should be used.

#### **FINDING NUMBER 2020-006**

##### **Noncompliance and Material Weakness**

**Ohio Rev. Code § 5735.28** states wherever a municipal corporation is on the line of the state highway system as designated by the director of transportation as an extension or continuance of the state highway system, seven and one-half per cent of the amount paid to any municipal corporation pursuant to sections 4501.01 and 5735.27 of the Revised Code shall be used by it only to construct, reconstruct, repave, widen, maintain, and repair such highways, to purchase, erect, and maintain traffic lights and signals, and to erect and maintain street and traffic signs and markers on such highways, or to pay principal, interest, and charges on bonds and other obligations issued pursuant to Chapter 133 of the Revised Code or incurred pursuant to section 5531.09 of the Revised Code for such purposes.

Due to deficiencies in internal policies and procedures, the Village has not established a separate State Highway fund. Therefore, for 2019 and 2020, the Village did not credit the State Highway Fund seven and one-half percent of their gasoline excise tax, permissive motor vehicle license and motor vehicle license receipts in the amount of \$1,697 and \$2,087 respectively. The accounting system has been adjusted to correct these errors, there was no effect on the financial statements as these adjustments are within the same fund type.

The lack of controls over the posting of financial transactions decreases the reliability of financial data at year end and can result in undetected errors and irregularities. It also could cause the Village to expend money for unallowed expenditures.

The Village should establish a State Highway fund and ensure gasoline excise tax, permissive motor vehicle license and motor vehicle license receipts are properly allocated to the correct funds.

#### **FINDING NUMBER 2020-007**

##### **Noncompliance and Material Weakness**

**Ohio Rev. Code § 5727.81(A)** levies an excise tax for all electricity distributed by such company. **Ohio Rev. Code § 5727.81(E)** provides that all revenue arising from the tax imposed by this section shall be credited to the general fund except as provided by division (C) of this section and sections 5727.82 of the Revised Code.

During 2020, the Village inappropriately recorded kilowatt-hour tax receipts totaling \$5,198 in the Electricity fund. Given the source of the revenue, these amounts should have been paid to the General fund.

These errors were the result of inadequate policies and procedures over the receipt posting process. Audit adjustments are reflected in the financial statements and in the accounting records correcting these and other errors. The lack of controls over the posting of financial transactions decreases the reliability of financial data at year-end and can result in undetected errors and irregularities.

The Village should review Auditor of State Bulletin 2001-011 for further guidance on properly recording these transactions and implement controls to help ensure all receipts are posted to proper funds.

**Officials Response:**

We did not receive a response from Officials to the findings reported above.

<b>2. OTHER – FINDINGS FOR RECOVERY</b>
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In addition, we identified the following other issues related to Findings for Recovery. This issue did not impact our GAGAS or Single Audit Compliance and Controls reports.

**FINDING NUMBER 2020-008**

**Finding for Recovery – Partially Repaid Under Audit**

**State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951)** provides that expenditures made by a governmental unit should serve a public purpose. Typically the determination of what constitutes a “proper public purpose” rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if an expenditure is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only. Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper "Public Purpose" states, in part, that the Auditor of State’s Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect.

During 2020, the Village made two payments to the Treasurer of State for KWH Tax penalties and one payment to the Bureau of Workers Compensation (BWC) for penalties which are not considered to be a proper public purpose for a Village. The Village paid a total of \$894 in penalties to BWC and \$156 in penalties to the Treasurer of State. \$670 worth of penalties were incurred during the term of former Fiscal Officer Laura Maurer and \$206 worth of penalties were incurred during the term of former Fiscal Officer Sally McDill.

Under Ohio law, public officials are strictly liable for all public money received or collected by them or their subordinates under color of law. Ohio Rev. Code § 9.39; *Cordray v. Internatl. Preparatory School*, 128 Ohio St.3d 50 (2010).

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Laura Maurer, and her bonding company, Travelers Casualty and Surety Company of America, jointly and severally in the amount of \$670 in favor of the Village of Wharton’s General Fund, in the amount of \$310 and Electricity Fund, in the amount of \$360.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Sally McDill, and her bonding company, Travelers Casualty and Surety Company of America, jointly and severally in the amount of \$206 in favor of the Village of Wharton’s General Fund, in the amount of \$103; and Electricity Fund, in the amount of \$103. On May 6, 2022, Sally McDill issued a check to the Village of Wharton in the amount of \$206. This portion of the finding is considered repaid under audit.

The Village should implement policies and procedures to verify that all invoices are paid on or before stated due dates to avoid being charged penalties. Failure to do so could result in the Village paying unnecessary fees and penalties.

**Officials' Response:**

We did not receive a response from Officials to the finding above.

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2020 AND 2019**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2018-001	Finding was first reported in the audit of the 2005-2006 financial statements. Material Weakness due to errors in financial statement preparation.	Not Corrected. Repeated in this report as finding 2020-001.	Finding reoccurred as a result of inadequate policies and procedures in reviewing the financial statements and accompanying notes prior to filing the Village's annual reports. The Fiscal Officer will ensure these are accounted for correctly in the future.
2018-002	Finding was first reported in the audit of the 2009-2010 financial statements. Material Weakness over utility billing, collections and adjustments.	Fully Corrected.	
2018-003	Finding was first reported in the audit of the 2009-2010 financial statements. Material Weakness over Village Council oversight.	Fully Corrected.	
2018-004	Finding was first reported in the audit of the 2013-2014 financial statements. Material Weakness due to deficiencies in supporting documentation.	Partially Corrected. Repeated in the Management Letter.	The Village was able to obtain invoices for disbursements after the fact to verify amounts paid and proper public purchase. The finding partially reoccurred as a result of inadequate policies and procedures over the disbursement cycle. The Village will work on establishing internal policies and procedures to ensure proper support is obtained for all transactions.
2018-005	Finding was first reported in the audit of the 1997-1998 financial statements. Material weakness and noncompliance with Ohio Rev. Code § 5705.41(D)(1) due to failure to utilize purchase orders.	Not Corrected. Repeated in this report as finding 2020-005	Finding reoccurred as a result of inadequate policies and procedures in the disbursement cycle. The Fiscal Officer will review Ohio Rev. Code and educate herself on purchase orders to ensure they are properly utilized moving forward.
2018-006	Material weakness over budgetary controls due to significant noncompliance with Ohio Rev. Code § 5705.39 and Ohio Rev. Code § 5705.41(B).	Not Corrected. Repeated in this report as findings 2020-002 through 2020-004.	These issues reoccurred as a result of inadequate policies and procedures over the budgetary cycle. The Fiscal Officer will review Ohio Rev. Code and educate herself on budgetary laws to correct these items moving forward.

Village of Wharton  
 Wyandot County  
 Schedule of Prior Audit Findings  
 Page 2

2018-007	Material weakness over timely remittances due to incurring late fees in 2017 and 2018.	Not Corrected. Repeated in this report as finding 2020-008.	Finding reoccurred as a result of inadequate policies and procedures in payment processing. The Village will work on establishing internal policies and procedures to ensure payments are made more timely in the future.
2018-008	Finding was first reported in the audit of the 2015-2016 financial statements. Material weakness due to late debt payments.	Fully Corrected.	
2018-009	Finding was first reported in the audit of the 2015-2016 financial statements. Material weakness due to deficiencies in note disclosures.	Fully Corrected.	

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# OHIO AUDITOR OF STATE KEITH FABER



**VILLAGE OF WHARTON**

**WYANDOT COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

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



**Certified for Release 5/31/2022**

88 East Broad Street, Columbus, Ohio 43215  
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)