



Dave Yost • Auditor of State

VILLAGE OF EDON
WILLIAMS COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Village of Edon
Williams County
108 East Indiana Street,
P.O. Box 338
Edon, Ohio 43518-0338

To the Village Council:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

One Government Center, Suite 1420, Toledo, Ohio 43604-2246
Phone: 419-245-2811 or 800-443-9276 Fax: 419-245-2484

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and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

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

Opinion on Regulatory Basis of Accounting

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2017, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

June 27, 2017

**VILLAGE OF EDON
WILLIAMS COUNTY**

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

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts				
Property and Other Taxes	\$22,135			\$22,135
Municipal Income Tax	268,968		\$29,885	298,853
Intergovernmental	47,844	\$48,332		96,176
Special Assessments	1,369			1,369
Fines, Licenses and Permits	6,211	35		6,246
Earnings on Investments	331	15		346
Miscellaneous	14,937			14,937
<i>Total Cash Receipts</i>	<u>361,795</u>	<u>48,382</u>	<u>29,885</u>	<u>440,062</u>
Cash Disbursements				
Current:				
Security of Persons & Property	187,523			187,523
Leisure Time Activities	11,478			11,478
Community Environment	22,667			22,667
Transportation	28,621	40,784		69,405
General Government	101,942			101,942
Capital Outlay			52,233	52,233
<i>Total Cash Disbursements</i>	<u>352,231</u>	<u>40,784</u>	<u>52,233</u>	<u>445,248</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>9,564</u>	<u>7,598</u>	<u>(22,348)</u>	<u>(5,186)</u>
Other Financing Receipts (Disbursements)				
Other Financing Sources	4,781			4,781
Other Financing Uses	(11,484)			(11,484)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(6,703)</u>			<u>(6,703)</u>
<i>Net Change in Fund Cash Balances</i>	2,861	7,598	(22,348)	(11,889)
<i>Fund Cash Balances, January 1</i>	<u>74,666</u>	<u>35,722</u>	<u>100,289</u>	<u>210,677</u>
Fund Cash Balances, December 31				
Restricted		43,320	77,941	121,261
Assigned	37,527			37,527
Unassigned	40,000			40,000
<i>Fund Cash Balances, December 31</i>	<u>\$77,527</u>	<u>\$43,320</u>	<u>\$77,941</u>	<u>\$198,788</u>

See accompanying notes to the financial statements

**VILLAGE OF EDON
WILLIAMS COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND CASH
BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Proprietary Fund Types
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$469,207
Operating Cash Disbursements:	
Current:	
Personal Services	79,039
Fringe Benefits	33,430
Contractual Services	34,035
Supplies and Materials	155,791
Total Operating Cash Disbursements	302,295
Operating Income	166,912
Non-Operating Disbursements	
Capital Outlay	(7,963)
Principal Retirement	(43,292)
Interest and Other Fiscal Charges	(11,352)
Total Non-Operating Disbursements	(62,607)
Net Change in Fund Cash Balances	104,305
Fund Cash Balance, January 1	216,601
Fund Cash Balance, December 31	\$320,906

See accompanying notes to the financial statements

**VILLAGE OF EDON
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016**

Note 1 - Reporting Entity

The Village of Edon, Williams 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 Mayor is elected to a four-year term, and votes only to break a tie.

Primary Government

The primary government consists of all funds and departments that are not legally separate from the Village. The Village of Edon provides general government services, water and sewer utilities, park operations, street maintenance and police services. The Village contracts with Republic Services/Allied Waste for garbage sanitation services.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

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

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

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

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

State Highway This fund accounts for and reports the portion of State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of the state highway within the Village.

Permissive Motor Vehicle License Tax This fund receives motor vehicle license tax monies for constructing, maintaining, and repairing Village Streets.

VILLAGE OF EDON
WILLIAMS COUNTY

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

Capital Project Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant Capital Project Fund:

Capital Projects Fund This fund receives proceeds from the Village's Income tax revenues. The proceeds are used for the repair and maintenance of the Village Streets or purchase Village property or equipment (i.e. Buildings, equipment for safety, street, water and sewer).

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:

Water Fund The water fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village. This fund receives charges for services from residents to cover water service costs.

Sewer Fund The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village. This fund receives charges for services from residents to cover sewer service costs.

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 and object level of control and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

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

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

A summary of 2016 budgetary activity appears in Note 3.

VILLAGE OF EDON
WILLIAMS COUNTY

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

Deposits and Investments

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

Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's cash basis of accounting.

Fund Balance

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

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

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

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

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the Village Council or a Village official delegated that authority by resolution or by State Statute.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not contained 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 EDON
WILLIAMS COUNTY**

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

Note 3 - Budgetary Activity

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

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$320,356	\$366,576	\$46,220
Special Revenue	48,020	48,382	362
Capital Projects	25,800	29,885	4,085
Enterprise	463,500	469,207	5,707
Total	\$857,676	\$914,050	\$56,374

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$395,022	\$363,715	\$31,307
Special Revenue	83,741	40,784	42,957
Capital Projects	126,089	52,233	73,856
Enterprise	680,100	364,902	315,198
Total	\$1,284,952	\$821,634	\$463,318

Note 4 – Deposits

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

	2016
Demand Deposits	\$519,694

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

Note 5 – Taxes

Property Taxes

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

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

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

**VILLAGE OF EDON
WILLIAMS COUNTY**

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

Income Taxes

The Village levies a municipal income tax of 1.5 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

The Village's income tax ordinance requires 10 percent of the income tax receipts to be used to finance capital improvements. As a result, this portion of the receipts is allocated to the capital improvement capital projects fund each year. The remaining income tax receipts are to be used to pay the cost of administering the tax, general fund operations, capital improvements, debt service and other governmental functions when needed, as determined by Council. In 2016, the receipts were allocated to the general fund and the capital improvements fund.

Note 6 - Risk Management

Workers' Compensation coverage is provided by the State of Ohio. The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs (if material).

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles; and
- Errors and omissions
- Public Officials Liability
- Commercial Inland Marine
- Commercial Crime and Auto
- Boiler and Machinery
- Commercial Umbrella

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

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

**VILLAGE OF EDON
WILLIAMS COUNTY**

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

Ohio Police and Fire Retirement Fund

Village's full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. The Village has paid all contributions required through December 31, 2016.

Social Security

Several Village employees contributed to social Security. This plan provides retirement benefits, including survivor and disability benefits to participant.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2016.

Note 8 - Postemployment Benefits

Both OPERS and OP&F offer 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. OPERS contributes 2 percent of the employer contribution to fund these benefits, and OP&F contributes 0.5 percent to fund these benefits.

Note 9 - Debt

Debt outstanding at December 31, 2016 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Edon State Bank Loan	\$224,164	4.75%
Ohio Public Works Commission Loan - Sanitary Sewer Extension	<u>32,361</u>	
Total	<u><u>\$256,525</u></u>	

The Ohio Public Works Commission (OPWC) loan relates to a sewer extension project. The loan does not carry an interest charge and is repaid in semiannual installments over twenty years from the sewer fund. The original principal balance of the loan was \$80,902. An OPWC loan used for improvements to the Michigan Street Waterline project was retired in 2016

On December 17, 2004, the Village obtained a loan from Edon State Bank for \$436,000 to help consolidate a prior loan to repay an Ohio Water Development Authority (OWDA) loan used to prepare the plans and specifications for a Village water project; a loan to fund construction of a new water tower; and a loan to acquire the property the water tower is located on. The loan is unreserved but water revenues and/or income tax revenues have been pledged to repay this loan. The loan will be repaid in quarterly installments over twenty years from water revenues.

**VILLAGE OF EDON
WILLIAMS COUNTY**

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

Leases

The Village leased a Chevy Tahoe Police Vehicle under noncancelable leases. The Village disbursed \$9,285 to pay off the lease for the fiscal year ended December 31, 2016.

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

Year ending December 31:	OPWC Loan	Edon State Bank Loan
2017	\$4,045	\$33,897
2018	4,045	33,897
2019	4,045	33,897
2020	4,045	33,897
2021	4,045	33,897
2022-2024	12,136	101,202
Total	\$32,361	\$270,687

Note 10 – Litigation

The Village and its Police Chief have recently been named defendants in a lawsuit captioned Anderson, et. al. v. Village of Edon, et. al. filed in the United States District Court, Northern District of Ohio. The suit asserts claims for constitutional violations, assault and battery and wrongful death, arising out of the shooting death of an individual shot by the Village police chief while in the course of his duties. The individual made threatening movements with a firearm which threatened the safety of other law enforcement officers and other individuals in the area. This matter is in the early stage of its development, and issues of liability and damages have not yet been the subject of discovery. The Village holds liability insurance, and the carrier is providing a defense to the Village subject to its deductible. The Village has not yet received correspondence from the carrier advising that it is reserving its rights to disclaim or limit its obligation to provide indemnification for the claims. Therefore, the Village currently does not have a factual basis to believe that the suit could have material impact on its financial position.

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**VILLAGE OF EDON
WILLIAMS COUNTY**

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

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts				
Property and Other Taxes	\$24,090			\$24,090
Municipal Income Tax	231,925		\$25,769	257,694
Intergovernmental	45,202	\$48,101		93,303
Special Assessments	1,369			1,369
Fines, Licenses and Permits	5,246			5,246
Earnings on Investments	279	12		291
Miscellaneous	13,444			13,444
<i>Total Cash Receipts</i>	<u>321,555</u>	<u>48,113</u>	<u>25,769</u>	<u>395,437</u>
Cash Disbursements				
Current:				
Security of Persons & Property	193,105			193,105
Public Health Services	575			575
Leisure Time Activities	14,495			14,495
Community Environment	20,158			20,158
Transportation	27,678	42,443		70,121
General Government	91,586			91,586
Capital Outlay			26,900	26,900
<i>Total Cash Disbursements</i>	<u>347,597</u>	<u>42,443</u>	<u>26,900</u>	<u>416,940</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(26,042)</u>	<u>5,670</u>	<u>(1,131)</u>	<u>(21,503)</u>
Other Financing Receipts (Disbursements)				
Other Financing Sources	9,823			9,823
Other Financing Uses	(8,388)			(8,388)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>1,435</u>			<u>1,435</u>
<i>Net Change in Fund Cash Balances</i>	<u>(24,607)</u>	<u>5,670</u>	<u>(1,131)</u>	<u>(20,068)</u>
<i>Fund Cash Balances, January 1</i>	<u>99,273</u>	<u>30,052</u>	<u>101,420</u>	<u>230,745</u>
Fund Cash Balances, December 31				
Restricted		35,722	100,289	136,011
Assigned	74,666			74,666
<i>Fund Cash Balances, December 31</i>	<u>\$74,666</u>	<u>\$35,722</u>	<u>\$100,289</u>	<u>\$210,677</u>

See accompanying notes to the financial statements

**VILLAGE OF EDON
WILLIAMS COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND CASH
BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Proprietary Fund
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$463,467
Operating Cash Disbursements:	
Current:	
Personal Services	70,732
Fringe Benefits	25,871
Contractual Services	37,647
Supplies and Materials	158,767
Total Operating Cash Disbursements	293,017
Operating Income	170,450
Non-Operating Disbursements	
Capital Outlay	(7,936)
Principal Retirement	(42,284)
Interest and Other Fiscal Charges	(12,360)
Total Non-Operating Disbursements	(62,580)
Net Change in Fund Cash Balances	107,870
Fund Cash Balance, January 1	108,731
Fund Cash Balance, December 31	\$216,601

See accompanying notes to the financial statements

**VILLAGE OF EDON
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015**

Note 1 - Reporting Entity

The Village of Edon, Williams 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 Mayor is elected to a four-year term, and votes only to break a tie.

Primary Government

The primary government consists of all funds and departments that are not legally separate from the Village. The Village of Edon provides general government services, water and sewer utilities, park operations, street maintenance and police services. The Village contracts with Republic Services/Allied Waste for garbage sanitation services.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

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

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

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

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

State Highway This fund accounts for and reports the portion of State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of the state highway within the Village.

Permissive Motor Vehicle License Tax This fund receives motor vehicle license tax monies for constructing, maintaining, and repairing Village Streets.

Capital Project Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant Capital Project Fund:

**VILLAGE OF EDON
WILLIAMS COUNTY**

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

Capital Projects Fund This fund receives proceeds from the Village's Income tax revenues. The proceeds are used for the repair and maintenance of the Village Streets or purchase Village property or equipment (i.e. Buildings, equipment for safety, street, water and sewer).

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:

Water Fund The water fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village. This fund receives charges for services from residents to cover water service costs.

Sewer Fund The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village. This fund receives charges for services from residents to cover sewer service costs.

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 and object level of control and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

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

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

A summary of 2015 budgetary activity appears in Note 3.

Deposits and Investments

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

VILLAGE OF EDON
WILLIAMS COUNTY

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

Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's cash basis of accounting.

Fund Balance

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

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

Restricted Fund balance is reported as 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 for use in satisfying those contractual requirements.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the Village Council or a Village official delegated that authority by resolution or by State Statute.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not contained 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 EDON
WILLIAMS COUNTY**

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

Note 3 - Budgetary Activity

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

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$347,484	\$331,378	(\$16,106)
Special Revenue	48,420	48,113	(307)
Capital Projects	28,800	25,769	(3,031)
Enterprise	481,000	463,467	(17,533)
Total	\$905,704	\$868,727	(\$36,977)

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$446,860	\$355,985	\$90,875
Special Revenue	78,071	42,443	35,628
Capital Projects	130,234	26,900	103,334
Enterprise	589,585	355,597	233,988
Total	\$1,244,750	\$780,925	\$463,825

Note 4 – Deposits

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

	2015
Demand Deposits	\$427,278

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

Note 5 – Taxes

Property Taxes

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

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

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

**VILLAGE OF EDON
WILLIAMS COUNTY**

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

Income Taxes

The Village levies a municipal income tax of 1.5 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

The Village's income tax ordinance requires 10 percent of the income tax receipts to be used to finance capital improvements. As a result, this portion of the receipts is allocated to the capital improvement capital projects fund each year. The remaining income tax receipts are to be used to pay the cost of administering the tax, general fund operations, capital improvements, debt service and other governmental functions when needed, as determined by Council. In 2015, the receipts were allocated to the general fund and the capital improvements fund.

Note 6 - Risk Management

Workers' Compensation coverage is provided by the State of Ohio. The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs (if material).

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles; and
- Errors and omissions
- Public Officials Liability
- Commercial Inland Marine
- Commercial Crime and Auto
- Boiler and Machinery
- Commercial Umbrella

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2015.

Ohio Police and Fire Retirement Fund

Village's full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

**VILLAGE OF EDON
WILLIAMS COUNTY**

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

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 11.5% until June 30, 2015, then 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. The Village has paid all contributions required through December 31, 2015.

Social Security

Several Village employees contributed to social Security. This plan provides retirement benefits, including survivor and disability benefits to participant.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2015.

Note 8 - Postemployment Benefits

Both OPERS and OP&F offer 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. OPERS contributes 2 percent of the employer contribution to fund these benefits, and OP&F contributes 0.5 percent to fund these benefits.

Note 9 - Debt

Debt outstanding at December 31, 2015 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Edon State Bank Loan	\$246,709	4.75%
Ohio Public Works Commission Loan - Sanitary Sewer Extension	36,406	
Ohio Public Works Commission Loan - Michigan Street Waterline Project	<u>16,702</u>	
Total	<u>\$299,817</u>	

The Ohio Public Works Commission (OPWC) loans relate to a sewer extension project and Michigan Street waterline project. These loans do not carry an interest charge and is repaid in semiannual installments over twenty years from the water and sewer funds. The original principal balances of the loans were \$80,902 and \$250,540.

On December 17, 2004, the Village obtained a loan from Edon State Bank for \$436,000 to help consolidate a prior loan to repay an Ohio Water Development Authority (OWDA) loan used to prepare the plans and specifications for a Village water project; a loan to fund construction of a new water tower; and a loan to acquire the property the water tower is located on. The loan is unreserved but water revenues and/or income tax revenues have been pledged to repay this loan. The loan will be repaid in quarterly installments over twenty years from water revenues.

Leases

The Village leased a Chevy Tahoe Police Vehicle under noncancelable lease. The Village disbursed \$9,285 toward the lease for the fiscal year ended December 31, 2015 with a future payment of \$9,285 due during the fiscal year ended December 31, 2016

VILLAGE OF EDON
WILLIAMS COUNTY

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

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

<u>Year ending December 31:</u>	<u>OPWC Loan</u>	<u>Edon State Bank Loan</u>
2016	\$20,748	\$33,897
2017	4,045	33,897
2018	4,045	33,897
2019	4,045	33,897
2020	4,045	33,897
2021 - 2024	16,180	135,099
Total	<u>\$53,108</u>	<u>\$304,584</u>

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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 Edon
Williams County
108 East Indiana Street
P.O. Box 338
Edon, Ohio 43518-0338

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' Government Auditing Standards, the financial statements of the cash balances, receipts, and disbursements by fund type of the Village of Edon, Williams County, Ohio, (the Village) as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, and have issued our report thereon dated June 27, 2017, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

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

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

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

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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Entity's Response to Findings

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

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.



Dave Yost
Auditor of State

Columbus, Ohio

June 27, 2017

VILLAGE OF EDON
WILLIAMS COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015

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

FINDING NUMBER 2016-001

Material Weakness – Fund Balance Classification

Governmental Accounting Standards Board (GASB) Statement No. 54 established criteria for reporting governmental fund balances based on constraints placed upon the use of resources reported in the governmental funds. The five classifications are nonspendable, restricted, committed, assigned, and unassigned.

Assigned fund balance classification includes amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. When an appropriation measure is adopted for the subsequent year and a portion of existing fund balance is included as a budgetary resource (appropriated for general fund uses and appropriations exceed estimated receipts), then that portion of fund balance should be classified as assigned.

The 2017 appropriations approved of \$366,734 exceeded the 2017 Estimated Receipts of \$329,207 by \$37,527. The \$37,527 should be classified as assigned due to using the carryover fund balance to cover the remaining amount of appropriations.

The 2016 appropriations approved of \$395,022 exceeded the 2016 Estimated Receipts of \$320,356 by \$74,666. The \$74,666 should be classified as assigned due to using the carryover fund balance to cover the remaining amount of appropriations.

A final review of the financial statements may have detected this error.

Adjustments for 2016 and 2015 were recorded in the accompanying financial statements to correct these errors.

In order to help ensure the Village's governmental fund balances are reported in accordance with GASB 54, we recommend the Village review Auditor of State Bulletin 2011-004.

Officials Response:

The Village of Edon has taken the necessary steps to correct the error.

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VILLAGE OF EDON

WILLIAMS 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
JULY 11, 2017