

VILLAGE OF EDISON
MORROW COUNTY
REPORT ON FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005



Mary Taylor, CPA

Auditor of State

Village Council
Village of Edison
PO Box 245
Edison, Ohio 43320

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

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

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

May 27, 2008

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INDEPENDENT AUDITORS' REPORT

Village Council
Village of Edison
Morrow County

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

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

As discussed in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

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

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


The Village's financial statements of the Proprietary and similar Fiduciary fund types contain undeterminable posting errors within the Sewer Fund and also undeterminable posting errors and unreconciled balances within the Mayor's Court Fund. We were unable to obtain from the Village sufficient documentation regarding the completeness of the transactions within the Sewer and Mayor's Court funds.

Because of the significance of the matters stated in the preceding paragraph, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the Proprietary and similar Fiduciary fund types referred to in paragraph 1 for the years ended December 31, 2006 and 2005.

Also, in our opinion the financial statements of all Governmental fund types present fairly, in all material respects, the combined fund cash balances and reserve for encumbrances for all Governmental fund types of the Village of Edison, Morrow County, as of December 31, 2006 and 2005, and its combined cash receipts and disbursements for all Governmental fund types for the years then ended on the basis of accounting described in Note 1.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2008 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Certified Public Accountants

March 26, 2008

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

| | <u>Governmental Fund Types</u> | | | <u>Total (Memorandum Only)</u> |
|---|--------------------------------|----------------------------|-----------------------------|--|
| | <u>General</u> | <u>Special Revenue</u> | <u>Capital Projects</u> | |
| Cash receipts:- | | | | |
| Local taxes | \$ 26,457 | \$ 13,630 | \$ 0 | \$ 40,087 |
| Intergovernmental | 16,188 | 26,951 | 300 | 43,439 |
| Charges for services | 150 | 0 | 0 | 150 |
| Fines, licenses, and permits | 5,614 | 0 | 0 | 5,614 |
| Earnings on investments | 5,699 | 314 | 0 | 6,013 |
| Miscellaneous | 923 | 230 | 0 | 1,153 |
| Total cash receipts | <u>55,031</u> | <u>41,125</u> | <u>300</u> | <u>96,456</u> |
| Cash disbursements:- | | | | |
| Current: | | | | |
| Security of persons and property | 16,199 | 5,527 | 0 | 21,726 |
| Basic utility services | 0 | 450 | 0 | 450 |
| Transportation | 0 | 44,021 | 0 | 44,021 |
| General government | 59,251 | 251 | 0 | 59,502 |
| Total cash disbursements | <u>75,450</u> | <u>50,249</u> | <u>0</u> | <u>125,699</u> |
| Excess of cash receipts over (under) cash disbursements | (20,419) | (9,124) | 300 | (29,243) |
| Fund cash balances, January 1, 2006 | <u>3,694</u> | <u>121,026</u> | <u>86,743</u> | <u>211,463</u> |
| Fund cash balances, December 31, 2006 | <u>\$ (16,725)</u> | <u>\$ 111,902</u> | <u>\$ 87,043</u> | <u>\$ 182,220</u> |
| Reserve for encumbrances, December 31, 2006 | <u>\$ 0</u> | <u>\$ 1,361</u> | <u>\$ 0</u> | <u>\$ 1,361</u> |

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

**VILLAGE OF EDISON
MORROW COUNTY**
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
FUND CASH BALANCES - PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPE-
FOR THE YEAR ENDED DECEMBER 31, 2006

| | <u>Proprietary Fund Type</u> | <u>Fiduciary Fund Type</u> | <u>Total (Memorandum Only)</u> |
|--|----------------------------------|--------------------------------|--|
| | <u>Enterprise</u> | <u>Agency</u> | |
| Operating cash receipts:- | | | |
| Charges for services | \$ 112,543 | \$ 0 | \$ 112,543 |
| Fines, licenses, and permits | 25 | 0 | 25 |
| Total operating cash receipts | <u>112,568</u> | <u>0</u> | <u>112,568</u> |
| Operating cash disbursements:- | | | |
| Personal services | 6,660 | 0 | 6,660 |
| Fringe benefits | 1,228 | 0 | 1,228 |
| Contractual services | 19,466 | 0 | 19,466 |
| Supplies and materials | 1,121 | 0 | 1,121 |
| Miscellaneous | 0 | 0 | 0 |
| Capital outlay | 1,652 | 0 | 1,652 |
| Total operating cash disbursements | <u>30,127</u> | <u>0</u> | <u>30,127</u> |
| Operating income | 82,441 | 0 | 82,441 |
| Non-operating cash receipts:- | | | |
| Property tax and other local taxes | 7,751 | 0 | 7,751 |
| Miscellaneous | 16 | 0 | 16 |
| Mayor's court fines and court costs | 0 | 43,720 | 43,720 |
| Total non-operating cash receipts | <u>7,767</u> | <u>43,720</u> | <u>51,487</u> |
| Non-operating cash disbursements:- | | | |
| Debt service - principal | 16,037 | 0 | 16,037 |
| Debt service - interest | 58,766 | 0 | 58,766 |
| Mayor's court fines and other costs | 0 | 19,261 | 19,261 |
| Total non-operating cash disbursements | <u>74,803</u> | <u>19,261</u> | <u>94,064</u> |
| Net receipts over (under) disbursements | 15,405 | 24,459 | 39,864 |
| Fund cash balances, January 1, 2006 | <u>165,644</u> | <u>9,512</u> | <u>175,156</u> |
| Fund cash balances, December 31, 2006 | <u>\$ 181,049</u> | <u>\$ 33,971</u> | <u>\$ 215,020</u> |
| Reserve for encumbrances, December 31, 2006 | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> |

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

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

| | <u>Governmental Fund Types</u> | | | Total (Memorandum Only) |
|---|--------------------------------|----------------------------|-----------------------------|--|
| | <u>General</u> | <u>Special Revenue</u> | <u>Capital Projects</u> | |
| Cash receipts:- | | | | |
| Local taxes | \$ 23,800 | \$ 11,533 | \$ 0 | \$ 35,333 |
| Intergovernmental | 16,181 | 31,524 | 0 | 47,705 |
| Fines, licenses, and permits | 3,257 | 0 | 0 | 3,257 |
| Earnings on investments | 829 | 829 | 0 | 1,658 |
| Miscellaneous | 1,961 | 3,801 | 0 | 5,762 |
| | <u>46,028</u> | <u>47,687</u> | <u>0</u> | <u>93,715</u> |
| Total cash receipts | 46,028 | 47,687 | 0 | 93,715 |
| Cash disbursements:- | | | | |
| Current: | | | | |
| Security of persons and property | 14,006 | 10,310 | 0 | 24,316 |
| Basic utility services | 0 | 1,150 | 0 | 1,150 |
| Transportation | 0 | 34,100 | 0 | 34,100 |
| General government | 53,621 | 310 | 0 | 53,931 |
| Capital Outlay | 0 | 0 | 9,074 | 9,074 |
| | <u>67,627</u> | <u>45,870</u> | <u>9,074</u> | <u>122,571</u> |
| Total cash disbursements | 67,627 | 45,870 | 9,074 | 122,571 |
| Excess of cash receipts over (under) cash disbursements | (21,599) | 1,817 | (9,074) | (28,856) |
| Fund cash balances, January 1, 2005 | <u>25,293</u> | <u>119,209</u> | <u>95,817</u> | <u>240,319</u> |
| Fund cash balances, December 31, 2005 | <u>\$ 3,694</u> | <u>\$ 121,026</u> | <u>\$ 86,743</u> | <u>\$ 211,463</u> |
| Reserve for encumbrances, December 31, 2005 | <u>\$ 5,598</u> | <u>\$ 1,026</u> | <u>\$ 0</u> | <u>\$ 6,624</u> |

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

VILLAGE OF EDISON
MORROW COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
FUND CASH BALANCES - PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPE-
FOR THE YEAR ENDED DECEMBER 31, 2005

| | <u>Proprietary Fund Type</u> | <u>Fiduciary Fund Type</u> | <u>Total (Memorandum Only)</u> |
|--|----------------------------------|--------------------------------|--|
| | <u>Enterprise</u> | <u>Agency</u> | |
| Operating cash receipts:- | | | |
| Charges for services | \$ 112,181 | \$ 0 | \$ 112,181 |
| Fines, licenses, and permits | 125 | 0 | 125 |
| Total operating cash receipts | <u>112,306</u> | <u>0</u> | <u>112,306</u> |
| Operating cash disbursements:- | | | |
| Personal services | 7,588 | 0 | 7,588 |
| Fringe benefits | 1,302 | 0 | 1,302 |
| Contractual services | 16,947 | 0 | 16,947 |
| Supplies and materials | 1,150 | 0 | 1,150 |
| Miscellaneous | 0 | 0 | 0 |
| Capital outlay | 2,000 | 0 | 2,000 |
| Total operating cash disbursements | <u>28,987</u> | <u>0</u> | <u>28,987</u> |
| Operating income | 83,319 | 0 | 83,319 |
| Non-operating cash receipts:- | | | |
| Property tax and other local taxes | 0 | 0 | 0 |
| Mayor's court fines and court costs | 0 | 12,044 | 12,044 |
| Miscellaneous | 26 | 0 | 26 |
| Special assessments | 10,000 | 0 | 10,000 |
| Total non-operating cash receipts | <u>10,026</u> | <u>12,044</u> | <u>22,070</u> |
| Non-operating cash disbursements:- | | | |
| Debt service - principal | 15,346 | 0 | 15,346 |
| Debt service - interest | 59,458 | 0 | 59,458 |
| Mayor's court fines and other costs | 0 | 3,652 | 3,652 |
| Total non-operating cash disbursements | <u>74,804</u> | <u>3,652</u> | <u>78,456</u> |
| Net receipts over (under) disbursements | 18,541 | 8,392 | 26,933 |
| Fund cash balances, January 1, 2005 | <u>147,103</u> | <u>1,120</u> | <u>148,223</u> |
| Fund cash balances, December 31, 2005 | <u>\$ 165,644</u> | <u>\$ 9,512</u> | <u>\$ 175,156</u> |
| Reserve for encumbrances, December 31, 2005 | <u>\$ 100</u> | <u>\$ 0</u> | <u>\$ 100</u> |

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

**VILLAGE OF EDISON
MORROW COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:-

- A. **Description of the Entity** - The Village of Edison, Morrow County, Ohio, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general governmental services, including water and sewer utilities, police services, and fire protection services.

The Village implemented a Mayor's Court in August 2002 to process fines and court costs received from offenders of traffic and non-traffic laws.

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

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

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

- C. **Cash and Investments** - Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

- D. **Fund Accounting** - The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required by law or contract to be restricted.

Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Fund:

Street Construction, Maintenance, and Repair Fund

This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village streets.

**VILLAGE OF EDISON
MORROW COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:- (continued)

Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of capital projects (except those financed through enterprise or trust funds).

Grant Construction Fund

This fund received grants for the construction or upgrade of the waste water treatment plant.

Enterprise Funds

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

Sewer Fund

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

Fiduciary Fund (Agency Fund)

Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following Fiduciary Funds:

Mayor's Court Fund

This fund receives monies from collections of fines imposed from tickets issued by the Village's police force. Funds are collected in part on behalf of the State of Ohio. In addition, funds are used for safety programs and general Village operations.

- E. Budgetary Process** - The Ohio Revised Code requires that each fund (except certain agency funds) 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 Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered 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 also approve estimated resources.

Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year-end are carried over, and need not be re-appropriated.

A summary of 2006 and 2005 budgetary activity appears in Note 3.

- F. Property, Plant, and Equipment** - Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

**VILLAGE OF EDISON
MORROW COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005**

NOTE 2 - EQUITY IN POOLED CASH AND INVESTMENTS:-

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

| | 2006 | 2005 |
|-----------------|-------------|-------------|
| Demand deposits | \$ 397,240 | \$ 386,619 |

Deposits - The Village's deposits are insured by the Federal Depository Insurance Corporation up to \$100,000. As of December 31, 2006 and 2005, deposits over \$100,000 were collateralized by securities specifically held by a financial institution.

NOTE 3 - BUDGETARY ACTIVITY:-

Budgetary activity for the year ending December 31, 2006 was as follows:

2006 Budgeted vs. Actual Receipts

| <u>Fund Type</u> | <u>Budgeted Receipts</u> | <u>Actual Receipts</u> | <u>Variance</u> |
|-------------------------|---------------------------------|-------------------------------|------------------------|
| General | \$ 44,650 | \$ 55,031 | \$ 10,381 |
| Special Revenue | 22,500 | 41,125 | 18,625 |
| Capital Projects | 0 | 300 | 300 |
| Proprietary | 120,300 | 120,335 | 35 |
| Fiduciary | 0 | 43,720 | 43,720 |
| Total | \$ 187,450 | \$ 260,511 | \$ 73,061 |

2006 Budgeted vs. Actual Budgetary Basis Expenditures

| <u>Fund Type</u> | <u>Appropriation Authority</u> | <u>Budgetary Expenditures</u> | <u>Variance</u> |
|-------------------------|---------------------------------------|--------------------------------------|------------------------|
| General | \$ 73,243 | \$ 75,450 | \$ (2,207) |
| Special Revenue | 187,136 | 51,610 | 135,526 |
| Capital Projects | 0 | 0 | 0 |
| Proprietary | 126,650 | 104,930 | 21,720 |
| Fiduciary | 0 | 19,261 | (19,261) |
| Total | \$ 387,029 | \$ 251,251 | \$ 135,778 |

Contrary to Ohio law, during 2006, the budgetary expenditures exceeded the appropriation authority in the General Fund by \$2,207 and in the Fiduciary fund by \$19,261.

**VILLAGE OF EDISON
MORROW COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005**

NOTE 3 - BUDGETARY ACTIVITY:- (continued)

Budgetary activity for the year ending December 31, 2005 was as follows:

2005 Budgeted vs. Actual Receipts

| <u>Fund Type</u> | <u>Budgeted Receipts</u> | <u>Actual Receipts</u> | <u>Variance</u> |
|------------------|--------------------------|--------------------------|-------------------------|
| General | \$ 50,369 | \$ 46,028 | \$ (4,341) |
| Special Revenue | 25,235 | 47,687 | 22,452 |
| Capital Projects | 0 | 0 | 0 |
| Proprietary | 112,500 | 122,332 | 9,832 |
| Fiduciary | <u>0</u> | <u>12,044</u> | <u>12,044</u> |
| Total | \$ <u>188,104</u> | \$ <u>228,091</u> | \$ <u>39,987</u> |

2005 Budgeted vs. Actual Budgetary Basis Expenditures

| <u>Fund Type</u> | <u>Appropriation Authority</u> | <u>Budgetary Expenditures</u> | <u>Variance</u> |
|------------------|--------------------------------|-------------------------------|-------------------------|
| General | \$ 79,144 | \$ 73,225 | \$ 5,919 |
| Special Revenue | 84,393 | 46,896 | 37,497 |
| Capital Projects | 23,700 | 9,074 | 14,626 |
| Proprietary | 110,250 | 103,791 | 6,459 |
| Fiduciary | <u>0</u> | <u>3,652</u> | <u>(3,652)</u> |
| Total | \$ <u>297,487</u> | \$ <u>236,638</u> | \$ <u>60,849</u> |

Contrary to Ohio law, actual receipts were less than estimated resources during 2005 in the General fund by \$4,341.

Contrary to Ohio law, during 2005, the budgetary expenditures exceeded the appropriation authority in the Fiduciary Fund by \$3,652.

**VILLAGE OF EDISON
MORROW COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005**

NOTE 4 - PROPERTY TAX:-

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

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

NOTE 5 - DEBT:-

Debt outstanding at December 31, 2006, was as follows:

| | Balance 12/31/2006 | Interest Rate |
|-----------|-------------------------------|--------------------------|
| USDA Bond | \$ 1,289,876 | 4.50% |

Waste water facility improvement bonds were issued by the Village in 2000 for the purpose of constructing a new sanitary sewer system and wastewater treatment facility. The bonds will be repaid in annual installments of \$74,806, including interest, over 40 years. For 2002 and 2001, interest only was due and paid on these bonds. The bonds are collateralized by sewer receipts. The Village has agreed to set utility rates sufficient to cover debt service requirements.

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

| Year Ending December 31 | USDA Bond |
|------------------------------------|----------------------|
| 2007 | \$ 74,804 |
| 2008 | 74,804 |
| 2009 | 74,804 |
| 2010 | 74,804 |
| 2011 | 74,804 |
| 2012-2016 | 374,018 |
| 2017-2021 | 374,018 |
| 2022-2026 | 374,018 |
| 2027-2031 | 374,018 |
| 2032-2036 | 374,018 |
| 2037-2041 | 298,126 |
| Total | 2,542,236 |
| Less interest expense | 1,252,360 |
| Total principal | \$ 1,289,876 |

**VILLAGE OF EDISON
MORROW COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005**

NOTE 6 - RETIREMENT SYSTEMS:-

The Village's full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. The plan provides retirement benefits, including post retirement health care, and survivor and disability benefits to participants, as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2006 and 2005, PERS members contributed 9.0% and 8.5% of their gross salaries, respectively. The Village contributed an amount equal to 13.7% and 13.55% of participants' gross salaries for 2006 and 2005, respectively. The Village has paid all contributions required through December 31, 2006.

Village officials can also opt to pay into the social security administration. This plan provides retirement benefits, including healthcare, and survivor and disability benefits to participants.

NOTE 7 - RISK MANAGEMENT:-

The Village belongs to the Ohio Government Risk Management Plan (the "Plan"), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 500 Ohio governments ("Members").

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each Member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the Member's deductible.

The Plan issues its own policies and reinsures the Plan with A- VII or better rated carriers, except for the 15% casualty and the 10% property portions the Plan retains. The Plan pays the lesser of 15% or \$37,500 of casualty losses and the lesser of 10% or \$100,000 of property losses. Individual Members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other obligation to the Plan. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

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

| | <u>2006</u> | <u>2005</u> |
|-----------------|---------------------|---------------------|
| Assets | \$ 9,620,148 | \$ 8,219,430 |
| Liabilities | <u>(3,329,620)</u> | <u>(2,748,639)</u> |
| Members' Equity | <u>\$ 6,290,528</u> | <u>\$ 5,470,791</u> |

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan's website, www.ohioplan.org.



**Independent Accountants' Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Required by Government Auditing Standards**

Village Council
Village of Edison
Morrow County

We have audited the accompanying financial statements of the Village of Edison, Morrow County, Ohio (the Village), as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated March 26, 2008, wherein we noted the Village had followed accounting practices the Auditor of State of Ohio prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting as items 2006-003, 2006-005, 2006-006, 2006-007 and 2006-008.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

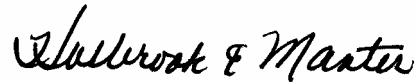
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we believe finding numbers 2006-003, 2006-005, 2006-007, and 2006-008 are also material weaknesses.

We also noted certain internal control matters that we reported to the Village's management in a separate letter dated March 26, 2008.

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, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed two instances of noncompliance that we must report under *Government Auditing Standards*, which is described in the accompanying schedule of findings as items 2006-001, 2006-002, 2006-003 and 2006-004. In a separate letter to the Village's management dated March 26, 2008, we reported other matters related to noncompliance we deemed immaterial.

We intend the report solely for the information and use of the Village Council and management. It is not intended for anyone other than these specified parties.



Certified Public Accountants

March 26, 2008

**VILLAGE OF EDISON
MORROW COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005**

| |
|---|
| FINDING RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS |
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|-----------------------|-----------------|
| Finding Number | 2006-001 |
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Noncompliance Citation - Prior Certification of Funds

Section 5705.41 (D), Ohio Revised Code, states that no subdivision shall make any contract or order any expenditure of money unless that certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment 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 encumbrance. Furthermore, contracts and orders for expenditures lacking prior certification should be null and void unless, for expenditures under \$3,000, the Village Council obtains from the fiscal officer a certificate stating that there was at the time of the making of the contracts or orders a sufficient sum appropriated. The board, by resolution, then may authorize the issuance of a warrant for the payments of the amount due.

During our testing of expenditures, there were instances in which funds were obligated without prior or any certification. There was no evidence of subsequent resolutions authorizing payment for such obligations. Expenditures without prior certification, could result in expenditures exceeding appropriations, although, no such instances were noted. We recommend that a purchase order be completed before all expenditures are initiated. Alternatively, the Village might consider using then and now certificates or blanket certificates, allowed by the O.R.C. for expenditures meeting certain criteria.

Officials' Response

The Village will work on correcting the findings and improve internal and compliance controls to address the issue.

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|-----------------------|-----------------|
| Finding Number | 2006-002 |
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Noncompliance Citation - Expenditures Exceeding Appropriations

Ohio Revised Code Section 5705.41 (B) states that no subdivision or taxing unit is to expend money unless it has been appropriated.

During our audit procedures, we noted that expenditures exceeded appropriations in the Village's Enterprise Funds for both 2006 and 2005. We recommend that the Clerk monitor on a regular basis expenditures and appropriations. Whenever it is necessary, amended appropriations need to be prepared, approved, and submitted to the County Budget Commission.

Officials' Response

The Village will work on correcting the findings and improve compliance controls to address the issue.

VILLAGE OF EDISON
MORROW COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005

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| Finding Number | 2006-003 |
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Non Compliance Citation- Significant Deficiency – Material Weakness - Mayors Court Distributions

During 2006 and 2005, the Village Mayor’s Court processed several cases involving traffic offenses pertaining to misdemeanor moving violation, seatbelt violations, and child restraint violations. As a result of those cases, the Mayor’s Court assessed fines and additional court costs as required by various sections of the Ohio Revised Code. The Mayor’s Court did not, however, distribute these funds or additional court costs monies to the state as required by the various ORC sections. All such monies should be transmitted on or before the twentieth day of the following month by the clerk of the court to the treasurer of state and deposited by the treasurer of state into the general revenue fund. Village records show that these monies were eventually distributed to the state but not in a timely manner.

During our testing, we determined that a few payments were made pertaining to several months of collections at a time. With the lack of documentation that was able to be obtained, it could not be determined that the right amounts were being distributed however, it was obvious that they were not being distributed each month as required. Over all documentation maintained by the Village pertaining to the Mayor’s Court monies collected during the audit period were inadequate and inconsistent. The appropriate documentation could not be provided to complete the audit testing required. When activity from Mayor’s Court was recorded, it was not recorded properly on the financial statements or in the Village’s ledgers.

The Village should maintain all documentation necessary to ensure that the proper amounts are being collected, that the proper amounts are being distributed to the state, and that the proper amounts are being recorded in the proper funds on the Village’s financial statements.

Officials’ Response

The Village is working to improve this area with a better understanding of the ORC and what is required. Also, the Village Fiscal Officer is now aware of the timing of Mayor’s Court distribution and subsequent to the audit period has been distributing these monies on a monthly basis.

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| Finding Number | 2006-004 |
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Non Compliance Citation- Fund Deficit

Ohio Rev. Code Section 5705.10(H) provides that money paid into a fund must be used only for the purposes for which such fund has been established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund. Auditor of State Bulletin 97-003 states that inter-fund cash advances may be a desirable method of resolving cash flow problems without the necessity of incurring additional interest expense for short-term loans and to provide the necessary "seed" for grants that are allocated on a reimbursement basis. The intent for cash advances is to require repayment within the current or succeeding year. Inter-fund cash advances are subject to the following requirements:

- 1) Any advance must be clearly labeled as such, and must be distinguished from a transfer. Transfers are intended to reallocate money permanently from one fund to another and may be made only as authorized in Sections 5705.14 to 5705.16 of the Revised Code. Advances, on the other hand, temporarily reallocate cash from one fund to another and involve an expectation of repayment;
- 2) In order to advance cash from one fund to another, there must be statutory authority to use the money in the fund advancing the cash (the "creditor" fund) for the same purpose for which the fund receiving the cash (the "debtor" fund) was established;
- 3) The reimbursement from the debtor fund to the creditor fund must not violate any restrictions on use of the money to be used to make the reimbursement; and

**VILLAGE OF EDISON
MORROW COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005**

4) Advances must be approved by a formal resolution of the taxing authority of the subdivision which must include:

- a. A specific statement that the transaction is an advance of cash, and
- b. An indication of the money (fund) from which it is expected that repayment will be made.

During our audit, it was noted that Mayor’s Court monies were not properly being paid to the General fund from the Agency fund on a monthly basis as required. Subsequent to the audit it appears that the Village is properly moving these monies as required which will absorb a portion of the negative fund balance in future audit periods.

The following funds were noted to have negative fund balances at December 31, 2006:

| <u>Date</u> | <u>Fund</u> | <u>Amount</u> |
|-------------------|--------------|---------------|
| December 31, 2006 | General Fund | (\$16,725) |

Officials’ Response

The Village council will better monitor fund balances to ensure that money from one fund is not used to cover the expenses of another fund. The Village may also use cash advances to cover negative fund balances for temporary cash flow problems.

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| Finding Number | 2006-005 |
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Significant Deficiency - Material Weakness- Proprietary Fund Collections

During our testing, we noted that very few, if any, controls are in place in the billing and sewer collection processes of the Village. There were no consistent reports printed through out the audit period to reconcile the activity recorded in the Village’s ledgers. Billings and collections are maintained on a computer system that has no safeguards associated with the program or the computer. Without certain controls in place, it is hard to determine how accurate the billings and collections for the Village are.

The Village should print consistent reports at least monthly that verifies who was billed and what monies were collected. Along with the printed reports, these items should be saved on the computer and backed up on another source frequently. This should prevent losing any information in the case of computer failure. These reports should be reviewed and compared to the system to verify that nothing in the system has been altered. With better records being maintained and reviewed collections should be more consistent and relievable.

Subsequent to year end, we have been made aware that the Village’s computer used for Sewer Billing malfunctioned and there was no record of delinquencies. As a result, the Village management informed us that they had to start with no delinquencies and that prior delinquencies have been forgiven.

Officials’ Response

The Board of Public Affairs is aware of the lack of controls in this area and is working towards maintaining better and more consistent records.

**VILLAGE OF EDISON
MORROW COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005**

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|-----------------------|-----------------|
| Finding Number | 2006-006 |
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Significant Deficiency - Internal Control and Review Procedures

Although the Council Members receive and review a select number of reports from the Fiscal Officer of the Village for approval on a monthly basis, the Village has not established formal procedures to reasonably assure completeness, and accuracy of the monthly reporting. During our testing and analysis, we noted that the Village Council is not reviewing the numerical check sequence prior to signing the checks. In addition, they are not reviewing the bank statement for proper inclusion of authorized expenditures within the cancelled checks or electronic fund withdraws.

The Village should carefully review this information and make appropriate inquires to help determine the integrity of the financial information. When performing such review, the officials' signatures or initials and the date should be affixed to the documents examined and it should be noted in the monthly minutes that the officials' thoroughly reviewed and approved those documents. In addition, we also recommend that the numerical check sequence be noted in the minutes and signed off of by the Council each month.

Officials' Response

The Village's Fiscal Officer will consider providing additional reports including a list of checks monthly to the Council for their review and signatures.

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| Finding Number | 2006-007 |
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Significant Deficiency – Material Weakness - Reconciliation of Bank to Book Balances

A bank to book reconciliation should be performed monthly and reviewed and approved by an individual with appropriate fiscal authority. Reconciling items should be identified and adjusted at the time the reconciling item or error is discovered. Reconciliations should include all bank accounts and book balances.

The Village failed to perform accurate or timely reconciliations throughout the fiscal year. Reconciliations performed denoted that the bank to book balances were reconciled; however, the reconciliations failed to include complete bank accounts and reconciling items, including outstanding checks and deposits in transit, as well as other miscellaneous unreconciled items.

Unreconciled bank to book balances has lead to a disclaimer of opinion on the Village's agency fund financial statements and inaccurate financial reports being provided to Council to aid in management decisions. In addition, unreconciled balances could lead to errors or irregularities to occur and go undetected by management.

We recommend the Village reconcile all bank accounts to the books on a timely basis. In this process, all reconciling items or errors should be identified and included on the face of the reconciliation. All unreconciled balances should be researched in order to find the known source of the error. All errors should be corrected on the Village's ledgers following the completion of the reconciliation. As a monitoring control, we recommend the monthly bank reconciliation be reviewed and approved by an individual with appropriate fiscal authority.

In addition all bank statements and canceled checks should be kept on file in an orderly manner. During our testing some of the bank statements for the year could not be located in the Village's files.

Official's Response:

The Village is now aware of the difference in the cash fund balance as of December 31, 2006. The Village was not properly recording Mayor's court monies in UAN during the audit period but subsequent to the audit period the Village does appear to be properly recording those monies and are completing accurate bank reconciliations.

**VILLAGE OF EDISON
MORROW COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005**

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|-----------------------|-----------------|
| Finding Number | 2006-008 |
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Significant Deficiency – Material Weakness – Payroll Reports

Payroll reports should be reviewed to determine that all amounts tie from one report to the other. Also, any tax documents that are completed should be reviewed to determine that the correct amounts are being allocated to the right line items and for the right purposes.

During our testing of payroll, it was noted that the correct amounts were not reported on the clients federal 941's. There were differences that could not be explained by the Village. Some of these errors could have been corrected if the reports were being reviewed on a regular basis before being submitted to the proper authorities. Also, during our examination of payroll, we noted that the original signed W-3 for 2005 could not be located however, a copy was able to be printed by the Village.

Official's Response:

The Village is now aware of the above issue and the Village will continue its efforts to reconcile the different tax documents to the Village's payroll reports.

**VILLAGE OF EDISON
MORROW COUNTY
SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2006 AND 2005**

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain: |
|-----------------------|--|-------------------------|--|
| 2004-001 | ORC 5705.41 - Fiscal officer must certify the commitment of money prior to the expenditure taking place. | No | Repeated in the Schedule of Findings in the 2006 and 2005 audit report as Finding # 2006-001. |
| 2004-002 | ORC 5705.39 total appropriations from each fund should not exceed total estimated resources. | No | Repeated in the Schedule of Findings in the 2006 and 2005 audit report as Finding # 2006-002. |



Mary Taylor, CPA
Auditor of State

VILLAGE OF EDISON

MORROW 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
JUNE 10, 2008**