



Mary Taylor, CPA
Auditor of State

VILLAGE OF EDON
WILLIAMS COUNTY

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Mary Taylor, CPA
Auditor of State

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

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS 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. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

Mary Taylor

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Auditor of State

May 27, 2009

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Edon, Williams County, Ohio (the Village), as of and for the years ended December 31, 2008 and 2007. 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 audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

As described more fully 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 reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. 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 GAAP presentation requirements. The Auditor of State permits, but does not require villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

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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, 2008 and 2007 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, 2008 and 2007, or its changes in financial position or cash flows, where applicable for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Village of Edon, Williams County, as of December 31, 2008 and 2007, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 27, 2009, 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.



Mary Taylor, CPA
Auditor of State

May 27, 2009

**VILLAGE OF EDON
WILLIAMS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property and Local Taxes	\$39,919			\$39,919
Municipal Income Tax	270,766		\$63,424	334,190
Intergovernmental	91,044	\$48,398		139,442
Special Assessments	1,369			1,369
Fines, Licenses and Permits	1,491	25		1,516
Earnings on Investments	1,216	53		1,269
Miscellaneous	3,513			3,513
	<u>409,318</u>	<u>48,476</u>	<u>63,424</u>	<u>521,218</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
Security of Persons and Property	161,129			161,129
Public Health Services	6,100			6,100
Leisure Time Activities	18,230			18,230
Community Environment	5,564			5,564
Transportation	48,195	48,042		96,237
General Government	91,936			91,936
Debt Service:				
Redemption of Principal			7,530	7,530
Interest and Fiscal Charges			915	915
Capital Outlay			47,863	47,863
	<u>331,154</u>	<u>48,042</u>	<u>56,308</u>	<u>435,504</u>
Total Cash Disbursements				
Total Receipts Over Disbursements	<u>78,164</u>	<u>434</u>	<u>7,116</u>	<u>85,714</u>
Other Financing Receipts / (Disbursements):				
Transfers-In		5,000		5,000
Transfers-Out	(27,000)			(27,000)
Other Financing Uses	(4,049)			(4,049)
	<u>(31,049)</u>	<u>5,000</u>		<u>(26,049)</u>
Total Other Financing Receipts / (Disbursements)				
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	47,115	5,434	7,116	59,665
Fund Cash Balances, January 1	<u>7,243</u>	<u>14,575</u>	<u>113,847</u>	<u>135,665</u>
Fund Cash Balances, December 31	<u>\$54,358</u>	<u>\$20,009</u>	<u>\$120,963</u>	<u>\$195,330</u>

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

**VILLAGE OF EDON
WILLIAMS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$460,369
Operating Cash Disbursements:	
Personal Services	66,329
Employee Fringe Benefits	13,610
Contractual Services	29,190
Supplies and Materials	115,088
Total Operating Cash Disbursements	224,217
Operating Income	236,152
Non-Operating Cash Receipts:	
Property and Other Local Taxes	42,677
Non-Operating Cash Disbursements:	
Capital Outlay	6,347
Redemption of Principal	216,834
Interest and Other Fiscal Charges	46,635
Total Non-Operating Cash Disbursements	269,816
Excess of Receipts Over Disbursements Before Interfund Transfers	9,013
Transfers-In	22,000
Net Receipts Over Disbursements	31,013
Fund Cash Balances, January 1	(56,132)
Fund Cash Balances, December 31	(\$25,119)

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

**VILLAGE OF EDON
WILLIAMS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property and Local Taxes	\$36,907			\$36,907
Municipal Income Tax	194,297		\$101,010	295,307
Intergovernmental	82,092	\$47,744		129,836
Special Assessments	684			684
Fines, Licenses and Permits		280		280
Earnings on Investments	3,725	449		4,174
Miscellaneous	5,094		5,379	10,473
	<u>322,799</u>	<u>48,473</u>	<u>106,389</u>	<u>477,661</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
Security of Persons and Property	157,955			157,955
Public Health Services	6,087			6,087
Leisure Time Activities	18,003			18,003
Transportation	40,592	51,855		92,447
General Government	91,597			91,597
Debt Service:				
Redemption of Principal			8,445	8,445
Capital Outlay			166,845	166,845
	<u>314,234</u>	<u>51,855</u>	<u>175,290</u>	<u>541,379</u>
Total Cash Disbursements				
Total Receipts Over/(Under) Disbursements	<u>8,565</u>	<u>(3,382)</u>	<u>(68,901)</u>	<u>(63,718)</u>
Other Financing Disbursements:				
Other Financing Uses	<u>(2,000)</u>			<u>(2,000)</u>
Excess of Cash Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	6,565	(3,382)	(68,901)	(65,718)
Fund Cash Balances, January 1	<u>678</u>	<u>17,957</u>	<u>182,748</u>	<u>201,383</u>
Fund Cash Balances, December 31	<u><u>\$7,243</u></u>	<u><u>\$14,575</u></u>	<u><u>\$113,847</u></u>	<u><u>\$135,665</u></u>

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

**VILLAGE OF EDON
WILLIAMS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$425,194
Operating Cash Disbursements:	
Personal Services	59,794
Employee Fringe Benefits	12,672
Contractual Services	26,714
Supplies and Materials	114,972
Total Operating Cash Disbursements	214,152
Operating Income	211,042
Non-Operating Cash Receipts:	
Property and Other Local Taxes	37,733
Non-Operating Cash Disbursements:	
Capital Outlay	6,924
Redemption of Principal	210,999
Interest and Other Fiscal Charges	52,109
Total Non-Operating Cash Disbursements	270,032
Net Receipts Under Disbursements	(21,257)
Fund Cash Balances, January 1	(34,875)
Fund Cash Balances, December 31	(\$56,132)

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

**VILLAGE OF EDON
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Edon, Williams County, Ohio (the Village), as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, park operations, street maintenance and police services.

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village 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 Auditor of State prescribes or permits.

C. 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.

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:

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than from private-purpose 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 EDON
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

1. Summary of Significant Accounting Policies – (Continued)

3. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). 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 being used for the repair and maintenance of Village streets or purchase of Village property (i.e. Buildings, equipment for safety, street, water and sewer).

4. 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 - This fund receives charges for services from residents to cover water service costs.

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

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

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

**VILLAGE OF EDON
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

1. Summary of Significant Accounting Policies – (Continued)

A summary of 2008 and 2007 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

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

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. Equity in Pooled Deposits

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

	2008	2007
Demand deposits	\$170,211	\$79,533

Deposits: Deposits are insured by the Federal Depository Insurance Corporation.

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2008 and 2007 follows:

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$406,000	\$409,318	\$3,318
Special Revenue	53,800	53,476	(324)
Capital Projects	66,000	63,424	(2,576)
Enterprise	535,260	525,046	(10,214)
Total	\$1,061,060	\$1,051,264	(\$9,796)

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$392,157	\$362,203	\$29,954
Special Revenue	66,075	48,042	18,033
Capital Projects	83,194	56,308	26,886
Enterprise	497,266	494,033	3,233
Total	\$1,038,692	\$960,586	\$78,106

**VILLAGE OF EDON
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

3. Budgetary Activity – (Continued)

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$320,000	\$322,799	\$2,799
Special Revenue	47,800	48,473	673
Capital Projects	100,000	106,389	6,389
Enterprise	493,000	462,927	(30,073)
Total	<u>\$960,800</u>	<u>\$940,588</u>	<u>(\$20,212)</u>

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$320,690	\$316,234	\$4,456
Special Revenue	65,876	51,855	14,021
Capital Projects	89,875	175,290	(85,415)
Enterprise	495,864	484,184	11,680
Total	<u>\$972,305</u>	<u>\$1,027,563</u>	<u>(\$55,258)</u>

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Capital Projects fund by \$85,415 for the year ended December 31, 2007 and the following funds had deficit cash balances:

Fund	At December 31, 2008	At December 31, 2007
Water Operating Fund	\$456	\$18,493
Sewer Operating Fund	27,390	38,003

In 2008, Management increased water and sewer rates and reallocated income tax monies to eliminate these deficit cash balances.

4. Property Tax

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

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

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.

**VILLAGE OF EDON
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

5. Local Income Tax

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.

6. Debt

Debt outstanding at December 31, 2008 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan	\$998,687	2.2 - 8.97%
Ohio Public Works Commission Loan	189,992	0.00%
Edon State Bank Loan	378,330	4.75%
Ford Motor Credit Company Lease	7,975	5.90%
Total	<u>\$1,574,984</u>	

The Ohio Water Development Authority (OWDA) loans relate to the improvements made to the Village's water and sewer plant that were mandated by the Ohio Environmental Protection Agency. The OWDA has approved up to \$3,290,845 in loans to the Village for these projects. The loans will be repaid in semiannual installments over twenty years from water and sewer revenues. The scheduled payment amount is based on a principal balance of \$3,226,354. The scheduled payment will be adjusted to reflect any revisions in amounts actually borrowed at the conclusion of the repayment of outstanding loans. OWDA requires the Village to charge rates for the services of the water and sewer system that result in pledged revenues at least adequate to cover the required debt obligations to OWDA. Contrary to this agreement, revenues generated from sewer charges were not adequate to provide for payments of its debt obligations to OWDA.

The Ohio Public Works Commission (OPWC) loans relate to the improvements made to the Michigan Street Waterline project and a sewer extension project. The loans do not carry an interest charge and will be repaid in semiannual installments over twenty years from the water and sewer funds. The original principal balance of the loans was \$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.

On June 29, 2005, the Village entered into a lease with the Ford Motor Credit Company for \$23,950 to purchase a 2008 Ford Crown Victoria Police Sedan. The lease will be repaid in annual installments over three years, with the first payment being June 22, 2007. The scheduled payment amount above shows a principal balance of \$7,975 at December 31, 2008.

**VILLAGE OF EDON
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

6. Debt – (Continued)

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

Year ending December 31:	OWDA Loans	OPWC Loans	Edon State Bank Loan	Ford Motor Credit Company Lease
2009	\$209,218	\$20,748	\$33,897	\$8,445
2010	209,648	20,748	33,897	
2011	184,240	20,748	33,897	
2012	184,240	20,748	33,897	
2013	184,240	20,748	33,897	
2014-2024	96,258	86,252	372,864	
Total	<u>\$1,067,844</u>	<u>\$189,992</u>	<u>\$542,349</u>	<u>\$8,445</u>

7. Retirement Systems

The Village's full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2008 and 2007, OP&F participants contributed 10% of their wages. For 2008 and 2007, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2008 and 2007, OPERS members contributed 10 and 9.5%, respectively, of their gross salaries and the Village contributed an amount equaling 14.00 and 13.85%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2008.

8. Risk Management

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Commercial Property and General Liability;
- Public Officials Liability;
- Law Enforcement Liability;
- Commercial Inland Marine;
- Commercial Crime and Auto;
- Boiler and Machinery; and
- Commercial Umbrella



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' 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 the financial statements of the Village of Edon, Williams County, Ohio (the Village), as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated May 27, 2009, wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We also noted the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the 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 as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

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.

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 internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

We noted certain matters that we reported to the Village's management in a separate letter dated May 27, 2009.

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 an opinion. The results of our tests disclosed instances of noncompliance that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2008-001 through 2008-003.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Village's management in a separate letter date May 27, 2009.

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

We intend this report solely for the information and use of the finance committee, Village Council and management. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

May 27, 2009

VILLAGE OF EDON
WILLIAMS COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2008 AND 2007

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

FINDING NUMBER 2008-001

Noncompliance Citation

Ohio Revised Code, § 5705.10(H), states that money that is paid into a fund must be used only for the purposes for which such fund has been established. A negative fund balance indicates money from one fund was used to cover expenses of another fund.

The following funds had deficit fund balances:

Fund	At December 31, 2008	At December 31, 2007
Water Operating Fund	\$456	\$18,493
Sewer Operating Fund	27,390	38,003

We recommend management monitor these funds closely throughout the year and consider either or a combination of the following:

- Raising the rates charged for such services;
- Subsidize these funds through a transfer or advance from the General Fund; and/or
- Restrict expenditures until a positive fund balance exists.

Officials' Response:

Management has increased water and sewer rates and reallocated income tax monies to eliminate these deficit cash balances.

FINDING NUMBER 2008-002

Noncompliance Citation

Ohio Water Development Authority (OWDA) Cooperative Agreement for State Planning Projects § 3.2(a) provides the Village will prescribe and charge rates for the services of the water and sewer system that shall result in pledged revenues at least adequate to provide for payments required to remit its debt obligation payments to OWDA.

Operating Income of \$156,221 and \$125,497 generated in 2008 and 2007, respectively, from sewer charges were not adequate to provide for payments required to remit the Village's debt obligations of \$188,285 for both years to OWDA. As a result, the Village has had to allocate a portion of its income tax revenues to the Sewer fund to help subsidize its debt obligations.

We recommend the Board of Public Affairs continue to review the Village's sewer operations in order to determine if additional rate increases are needed to generate an adequate amount of revenues to provide for its debt obligations to OWDA.

Officials' Response:

Management has increased water and sewer rates in an attempt to provide adequate revenues.

FINDING NUMBER 2008-003

Noncompliance Citation

Ohio Revised Code, § 5705.40, provides that appropriation measures may be amended or supplemented as long as the entity complies with the same provisions of the law as are used in making the original appropriation. Additionally, **Ohio Revised Code, § 5705.41(B)**, prohibits a subdivision from making an expenditure unless it has been properly appropriated.

In 2007, the Council adopted appropriations which were \$155,000 lower than the amounts recorded in the Capital Projects Fund. As stated above, the Village has the power to amend/supplement its appropriation measures if so needed. As a result of failing to take this step, the Village had expenditures that exceeded appropriations by \$85,415 in the Capital Projects Fund in 2007.

We recommend Village Official monitor appropriations in relation to expenditures on a monthly basis. When changes to appropriations are needed, an amendment should be presented to the Village Council for its approval. Once this approval is received, the amendment then would be posted into the Village's accounting system.

Officials' Response:

Management will attempt to take all appropriation amendments to Council for their approval.

**VILLAGE OF EDON
WILLIAMS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2008 AND 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2006-001	ORC § 5705 Issue II monies and CDBG monies not posted to financial statements; illegal advances made to cover expenses in funds	Yes	
2006-002	ORC § 5705.41(D)(1) Expenditures were not properly certified	No	Partially Corrected. Reissued in the management letter.
2006-003	ORC § 5705.10 Advanced money from the Capital Projects fund to the Water fund.	Yes	
2006-004	OWDA Cooperative Agreement for State Planning Projects § 3.2(a) Charging adequate rates to provide for the payment of debt obligations.	No	Reissued as Finding 2008-002 in this report.
2006-005	Village of Edon Ordinance 98-01 and 03-07 Incorrect allocation of Village income tax.	No	Partially Corrected. Reissued in the management letter.
2006-006	ORC §§ 5705.36(A)(2), 5705.36(A)(4) and 5705.39 Appropriations exceeded Estimated Resources.	Yes	
2006-007	Financial Reporting Errors adjusted to the financial statements.	No	Partially Corrected. Reissued in the management letter.



Mary Taylor, CPA
Auditor of State

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
JUNE 23, 2009