



Dave Yost • Auditor of State

VILLAGE OF EDISON
MORROW COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2012	3
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Proprietary and Fiduciary Fund Types - For the Year Ended December 31, 2012	4
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2011	5
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Proprietary and Fiduciary Fund Types - For the Year Ended December 31, 2011	6
Notes to the Financial Statements	7
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	15
Schedule of Findings.....	17
Schedule of Prior Audit Findings.....	18

This page intentionally left blank.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Village of Edison
Morrow County
103 North Boundary Street
Edison, Ohio 43320

To the Members of Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Village of Edison, Morrow County, Ohio (the Village) as of and for the years ended December 31, 2012 and 2011.

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 of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03; 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 opinion.

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

As described in Note 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

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, 2012 and 2011, 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 Edison, Morrow County, Ohio as of December 31, 2012 and 2011, 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 permit, described in Note 1.

Emphasis of Matter

As discussed in Note 1 to the financial statements, during 2011 the Village of Edison adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2013, 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

September 20, 2013

**VILLAGE OF EDISON
MORROW COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$ 24,769	\$ 31,587	\$ -	\$ 56,356
Municipal Income Tax	25,996	-	-	25,996
Intergovernmental	14,196	25,909	35,547	75,652
Special Assessments	-	484	-	484
Fines, Licenses and Permits	14,121	-	-	14,121
Earnings on Investments	25	2	-	27
Miscellaneous	2,448	403	-	2,851
<i>Total Cash Receipts</i>	<u>81,555</u>	<u>58,385</u>	<u>35,547</u>	<u>175,487</u>
Cash Disbursements				
Current:				
Security of Persons and Property	18,604	12,359	-	30,963
Leisure Time Activities	-	462	-	462
Transportation	-	51,971	35,547	87,518
General Government	56,796	333	-	57,129
Capital Outlay	-	-	4,896	4,896
Debt Service:				
Principal Retirement	6,695	-	-	6,695
Interest and Fiscal Charges	1,164	-	-	1,164
<i>Total Cash Disbursements</i>	<u>83,259</u>	<u>65,125</u>	<u>40,443</u>	<u>188,827</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(1,704)</u>	<u>(6,740)</u>	<u>(4,896)</u>	<u>(13,340)</u>
Other Financing Receipts (Disbursements)				
Sale of Bonds	-	-	4,896	4,896
Other Financing Sources	69	-	-	69
Other Financing Uses	(32)	-	-	(32)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>37</u>	<u>-</u>	<u>4,896</u>	<u>4,933</u>
<i>Net Change in Fund Cash Balances</i>	<u>(1,667)</u>	<u>(6,740)</u>	<u>-</u>	<u>(8,407)</u>
<i>Fund Cash Balances, January 1</i>	<u>11,851</u>	<u>70,166</u>	<u>-</u>	<u>82,017</u>
Fund Cash Balances, December 31				
Restricted	-	63,426	-	63,426
Assigned	2,128	-	-	2,128
Unassigned (Deficit)	8,056	-	-	8,056
<i>Fund Cash Balances, December 31</i>	<u>\$ 10,184</u>	<u>\$ 63,426</u>	<u>\$ -</u>	<u>\$ 73,610</u>

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

**VILLAGE OF EDISON
MORROW COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Proprietary Fund Types	Fiduciary Fund Types	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$ 126,203	\$ -	\$ 126,203
<i>Total Operating Cash Receipts</i>	<u>126,203</u>	<u>-</u>	<u>126,203</u>
Operating Cash Disbursements			
Personal Services	9,007	-	9,007
Employee Fringe Benefits	1,595	-	1,595
Contractual Services	28,985	-	28,985
Supplies and Materials	652	-	652
Other	225	-	225
<i>Total Operating Cash Disbursements</i>	<u>40,464</u>	<u>-</u>	<u>40,464</u>
<i>Operating Income</i>	<u>85,739</u>	<u>-</u>	<u>85,739</u>
Non-Operating Receipts (Disbursements)			
Court Collections	-	17,376	17,376
Court Disbursements	-	(16,203)	(16,203)
Earnings on Investments	43	-	43
Principal Retirement	(20,885)	-	(20,885)
Interest and Other Fiscal Charges	(53,919)	-	(53,919)
Other Financing Sources	126	-	126
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(74,635)</u>	<u>1,173</u>	<u>(73,462)</u>
<i>Net Change in Fund Cash Balances</i>	11,104	1,173	12,277
<i>Fund Cash Balances, January 1</i>	<u>269,549</u>	<u>698</u>	<u>270,247</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 280,653</u>	<u>\$ 1,871</u>	<u>\$ 282,524</u>

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

**VILLAGE OF EDISON
MORROW COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$ 25,134	\$ 32,334	\$ 57,468
Municipal Income Tax	18,772	-	18,772
Intergovernmental	14,750	26,747	41,497
Fines, Licenses and Permits	16,126	160	16,286
Earnings on Investments	42	1	43
Miscellaneous	390	503	893
<i>Total Cash Receipts</i>	<u>75,214</u>	<u>59,745</u>	<u>134,959</u>
Cash Disbursements			
Current:			
Security of Persons and Property	17,068	10,375	27,443
Transportation	-	40,131	40,131
General Government	55,118	1,053	56,171
Debt Service:			
Principal Retirement	6,400	9,276	15,676
Interest and Fiscal Charges	1,459	666	2,125
<i>Total Cash Disbursements</i>	<u>80,045</u>	<u>61,501</u>	<u>141,546</u>
<i>Excess of Receipts (Under) Disbursements</i>	<u>(4,831)</u>	<u>(1,756)</u>	<u>(6,587)</u>
<i>Fund Cash Balances, January 1</i>	<u>16,682</u>	<u>71,922</u>	<u>88,604</u>
Fund Cash Balances, December 31			
Restricted	-	70,166	70,166
Assigned	9,403	-	9,403
Unassigned	2,448	-	2,448
<i>Fund Cash Balances, December 31</i>	<u>\$ 11,851</u>	<u>\$ 70,166</u>	<u>\$ 82,017</u>

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

**VILLAGE OF EDISON
MORROW COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011.**

	Proprietary Fund Types	Fiduciary Fund Types	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$ 125,102	\$ -	\$ 125,102
Fines, Licenses and Permits	25	-	25
Miscellaneous	100	-	100
<i>Total Operating Cash Receipts</i>	<u>125,227</u>	<u>-</u>	<u>125,227</u>
Operating Cash Disbursements			
Personal Services	8,332	-	8,332
Employee Fringe Benefits	1,348	-	1,348
Contractual Services	22,668	-	22,668
Supplies and Materials	608	-	608
Other	525	-	525
<i>Total Operating Cash Disbursements</i>	<u>33,481</u>	<u>-</u>	<u>33,481</u>
<i>Operating Income (Loss)</i>	<u>91,746</u>	<u>-</u>	<u>91,746</u>
Non-Operating Receipts (Disbursements)			
Court Collections	-	15,705	15,705
Court Disbursements	-	(16,619)	(16,619)
Earnings on Investments	61	-	61
Principal Retirement	(19,985)	-	(19,985)
Interest and Other Fiscal Charges	(54,818)	-	(54,818)
Other Financing Uses	-	(34)	(34)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(74,742)</u>	<u>(948)</u>	<u>(75,690)</u>
<i>Net Change in Fund Cash Balances</i>	17,004	(948)	16,056
<i>Fund Cash Balances, January 1</i>	<u>252,545</u>	<u>1,646</u>	<u>254,191</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 269,549</u>	<u>\$ 698</u>	<u>\$ 270,247</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, 2012 AND 2011**

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 Edison, Morrow County, Ohio, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides general governmental services including sewer utilities, fire protection, 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 accounts for and reports all financial resources not accounted for and reported in another fund.

2. Special Revenue Funds

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

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

Street and Storm Sewer Fund - This fund receives tax monies for constructing, maintaining, and repairing Village streets and storm sewers.

**VILLAGE OF EDISON
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

3. 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 Improvement Fund – This fund receives the Village’s Ohio Public Works Commission (OPWC) grant monies for street projects.

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 Fund:

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

5. Fiduciary Funds

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village’s own programs.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village’s agency fund accounts for Mayor’s Court operations.

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the 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. Unencumbered appropriations lapse at year end.

2. Estimated Resources

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

VILLAGE OF EDISON
MORROW COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)

1. Summary of Significant Accounting Policies (Continued)

E. Budgetary Process (Continued)

3. Encumbrances

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

A summary of 2012 and 2011 budgetary activity appears in Note 4.

F. Fund Balance

In 2011, the Village adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

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

2. Restricted

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

3. Committed

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

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

5. Unassigned

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

**VILLAGE OF EDISON
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

F. Fund Balance (Continued)

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.

G. Property, Plant, and Equipment

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

2. Change in Accounting Principle

In 2011, the Village implemented Governmental Accounting Standard Board (GASB) Statement No. 54, "Fund Balance Reporting and Government Fund Type Definitions." GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The implementation of GASB Statements No. 54 did not have an effect on beginning fund balances as previously reported.

3. Restatement of Fund Equity

The Village had been allocating part of the Mayor's Court receipts due to the Village into a special revenue fund which should have been reported in the General Fund. The following adjustments were made to restate the December 31, 2010 fund balances:

	Fund Balance at December 31, 2010	Change in Fund Structure	Adjusted Fund Balance at January 1, 2011
General	\$ 8,387	\$ 8,295	\$ 16,682
Special Revenue	\$ 80,217	(\$ 8,295)	\$ 71,922

4. Equity in Pooled Deposits

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

	2012	2011
Demand Deposits	\$356,134	\$352,264

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

**VILLAGE OF EDISON
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

5. Budgetary Activity

Budgetary activity for the years ending December 31, 2012 and 2011 follows:

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$80,367	\$81,624	\$1,257
Special Revenue	68,006	58,385	(9,621)
Capital Projects	40,443	40,443	-
Enterprise	130,960	126,372	(4,588)
Total	<u>\$319,776</u>	<u>\$306,824</u>	<u>(\$12,952)</u>

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$89,770	\$85,419	\$4,351
Special Revenue	89,573	72,729	16,844
Capital Projects	40,443	40,443	-
Enterprise	192,639	124,363	68,276
Total	<u>\$412,425</u>	<u>\$322,954</u>	<u>\$89,471</u>

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$72,832	\$75,214	\$2,382
Special Revenue	60,065	59,745	(320)
Enterprise	125,287	125,288	1
Total	<u>\$258,184</u>	<u>\$260,247</u>	<u>\$2,063</u>

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$117,230	\$81,448	\$35,782
Special Revenue	113,818	64,396	49,422
Enterprise	191,172	118,425	72,747
Total	<u>\$422,220</u>	<u>\$264,269</u>	<u>\$157,951</u>

6. 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.

**VILLAGE OF EDISON
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

6. Property Tax (Continued)

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.

7. Local Income Tax

The Village levies a municipal income tax of .5% 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.

8. Debt

Debt outstanding at December 31, 2012 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
2000 USDA Wastewater Facility	\$1,177,308	4.5%
Building Improvement Bonds	4,733	4.5%
Police Crusier	14,513	5.5%
Total	<u>\$1,196,554</u>	

The 2000 USDA wastewater facility improvement first mortgage revenue bonds were issued May 19, 2000. Payments are due in annual installments of \$74,803 through 2040, which includes interest.

The Building Improvement Bonds were issued November 12, 2012 for repairs to the roof and underlayment on the Mayor's office and Council chambers. Payments are due in monthly installments through 2017.

The Police Cruiser was purchased March 25, 2009. Payments are due in monthly installments through 2014.

The Village paid the remaining balance of a Truck Loan in November of 2011.

**VILLAGE OF EDISON
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

8. Debt (Continued)

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

Year ending December 31:	USDA Wastewater Facility Improvement Bonds	Building Improvement Bonds	Police Cruiser
2013	\$74,803	\$1,096	\$7,859
2014	74,803	1,096	7,859
2015	74,803	1,096	0
2016	74,803	1,096	0
2017	74,803	1,004	0
2018-2022	374,015	0	0
2023-2027	374,015	0	0
2028-2032	374,015	0	0
2033-2037	374,107	0	0
2038-2040	224,468	0	0
Total	<u>\$2,094,635</u>	<u>\$5,388</u>	<u>\$15,718</u>

The Village's USDA Wastewater Facilities Improvements First Mortgage Revenue Bond debt covenant requires the Village to maintain a Sewer Operating Fund, a Wastewater Facilities Revenue Bond and Interest Payment Fund and a Wastewater Facilities Reserve Fund. The debt covenant further requires the following: the Village must first pay all reasonable and proper expenses of operating and maintaining the Sewer Operating Fund; second, the Village must monthly, on the 15th day of each month deposit equal monthly amounts necessary to provide for the next ensuing principal and interest payment into the Wastewater Facilities Revenue Bond and Interest Payment Fund; third, out of the remaining balance the Village must make up any previous deficiency in any monthly allocation; and fourth, out of the remaining balance of income and revenue after the previous allocations required, are made deposit in the Wastewater Facilities Reserve Fund the sum of \$7,500 each year until there is accumulated in the fund the sum of \$74,803 after which no further deposits need be made into said Wastewater Facilities Reserve Fund except to replace withdrawals. Whenever disbursements are made from the Wastewater Facilities Reserve Fund, annual payments in the amount of \$7,500 each shall be resumed until there is again accumulated in the fund the amount of \$74,803, at which time payments may be discontinued. At December 31, 2012, the fund was properly funded and no additional funding was required.

9. Retirement Systems

The Village's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. 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 2012 and 2011, OPERS members contributed 10% of their gross salaries and the Village contributed 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2012.

**VILLAGE OF EDISON
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

10. Risk Management

The Village belongs to the Ohio Plan Risk Management (OPRM) - formerly known as the Ohio Risk Management Plan, (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverage to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2012, OPRM retains 50% of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty (41.5% effective November 1, 2011, 40% through October 31, 2011 and 17.5% through October 31, 2010). Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 767 and 765 members as of December 31, 2012 and 2011, respectively.

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

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

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

	<u>2012</u>	<u>2011</u>
Assets	\$13,100,381	\$12,501,280
Liabilities	<u>(\$6,687,193)</u>	<u>(\$5,328,761)</u>
Member's Equity	<u>\$6,413,188</u>	<u>\$7,172,519</u>

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.



Dave Yost • Auditor of State

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

Village of Edison
Morrow County
103 North Boundary Street
Edison, Ohio 43320

To the Members of Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of Edison, Morrow County, Ohio, (the Village) as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements, and have issued our report thereon dated September 20, 2013, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit. We also noted the Village, in 2011, adopted Governmental Accounting Standard Number 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2012-001 described in the accompanying schedule of findings 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 an instance of noncompliance or other matters we must report under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2012-001.

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

September 20, 2013

VILLAGE OF EDISON
MORROW COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011

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

FINDING NUMBER 2012-001

Establishment of Funds – Noncompliance / Material Weakness

Ohio Revised Code 5705.09 states that each subdivision shall establish the following funds:

- (A) General fund;
- (B) Sinking fund whenever the subdivision has outstanding bonds other than serial bonds;
- (C) Bond retirement fund, for the retirement of serial bonds, notes, or certificates of indebtedness;
- (D) A special fund for each special levy;
- (E) A special bond fund for each bond issue;
- (F) A special fund for each class of revenues derived from a source other than the general property tax, which the law requires to be used for a particular purpose;
- (G) A special fund for each public utility operated by a subdivision;
- (H) A trust fund for any amount received by a subdivision in trust.

The Village recorded an Ohio Public Works Commission grant (\$35,547) to the Permissive Motor Vehicle License Fund. The Village also recorded bond proceeds (\$4,896) to repair the roof of the municipal building into the General, Mayor's Court, Street Levy, and Sewer Operating Funds. These funds and related expenditures should have been recorded in Capital Projects Funds designated for each project.

Failure to establish required funds can lead to restricted funds being comingled with other funds and used for unallowed activities. Adjustments were made to the financial statements and the accounting records to move the activity to Capital Projects Funds for each project.

We recommend that the Village establish a Capital Projects Fund for the purpose of accounting for funds received and distributed for any project that is considered an improvement of Capital Projects.

Official's Response: We did not receive a response from Officials to the finding.

**VILLAGE OF EDISON
MORROW COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2012 AND 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010--001	5705.42 Financial Reporting. Failure to record OPWC monies and numerous audit adjustments.	No	Reissued as Finding Number 2012-001
2010--002	5705.39 Appropriations exceeding estimated resources.	Yes	
2010--003	5705.36 Amended Certificate of Estimated Resources upon notice of deficiency.	Yes	
2010--004	5705.40 Expenditures exceeding appropriations because OPWC monies were not properly recorded.	Yes	
2010-005	5705.36(A)(4) Amended Certificate of Estimated Resources. Appropriations exceeding estimated resources.	Yes	
2010--006	5705.41(B) Expenditures exceeding appropriations.	Yes	



Dave Yost • 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
DECEMBER 26, 2013**