



**Auditor of State
Betty Montgomery**

VILLAGE OF EDISON
MORROW COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Village of Edison
Morrow County
103 N. Boundary Street
P.O. Box 245
Edison, Ohio 43320

To the Village Council:

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, 2002, and December 31, 2001. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit 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 audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village as of December 31, 2002, and December 31, 2001, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2003, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the audit committee, management, the Village Council and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

October 17, 2003

**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, 2002**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$20,148	\$14,292	\$34,440
Intergovernmental Receipts	27,488	24,233	51,721
Charges for Services	0	9,346	9,346
Fines, Licenses, and Permits	11,280	0	11,280
Earnings on Investments	1,482	60	1,542
Miscellaneous	408	1,028	1,436
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	60,806	48,959	109,765
Cash Disbursements:			
Current:			
Security of Persons and Property	14,687	14,689	29,376
Community Environment	0	13,195	13,195
Basic Utility Services	0	13,731	13,731
Transportation	0	27,317	27,317
General Government	42,285	46	42,331
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	56,972	68,978	125,950
Total Receipts Over/(Under) Disbursements	<hr/>	<hr/>	<hr/>
	3,834	(20,019)	(16,185)
Other Financing Receipts:			
Sale of Assets	<hr/>	<hr/>	<hr/>
	0	1,111	1,111
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	<hr/>	<hr/>	<hr/>
	3,834	(18,908)	(15,074)
Fund Cash Balances, January 1	<hr/>	<hr/>	<hr/>
	35,409	168,744	204,153
Fund Cash Balances, December 31	<hr/> \$39,243 <hr/>	<hr/> \$149,836 <hr/>	<hr/> \$189,079 <hr/>
Reserves for Encumbrances, December 31	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	\$155	\$1,204	\$1,359

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, 2002**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$97,107	\$0	\$97,107
Fines, Licenses and Permits	75	0	75
Total Operating Cash Receipts	<u>97,182</u>	<u>0</u>	<u>97,182</u>
Operating Cash Disbursements:			
Personal Services	6,816	0	6,816
Fringe Benefits	351	0	351
Contractual Services	12,787	0	12,787
Supplies and Materials	1,303	0	1,303
Capital Outlay	21,618	0	21,618
Miscellaneous	2,998	0	2,998
Total Operating Cash Disbursements	<u>45,873</u>	<u>0</u>	<u>45,873</u>
Operating Income	<u>51,309</u>	<u>0</u>	<u>51,309</u>
Non-Operating Cash Receipts:			
Property Tax and Other Local Taxes	5,544	0	5,544
Intergovernmental	74,150	0	74,150
Mayor's Court Fines and Court Costs	0	13,568	13,568
Special Assessments	17,887	0	17,887
Total Non-Operating Cash Receipts	<u>97,581</u>	<u>13,568</u>	<u>111,149</u>
Non-Operating Cash Disbursements:			
Debt Service	60,750	0	60,750
Mayor's Court Fines and Costs	0	10,028	10,028
Total Non-Operating Cash Disbursements	<u>60,750</u>	<u>10,028</u>	<u>70,778</u>
Net Receipts Over Disbursements	88,140	3,540	91,680
Fund Cash Balances, January 1	<u>154,925</u>	<u>0</u>	<u>154,925</u>
Fund Cash Balances, December 31	<u>\$243,065</u>	<u>\$3,540</u>	<u>\$246,605</u>
Reserve for Encumbrances, December 31	<u>\$270</u>	<u>\$0</u>	<u>\$270</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, 2001**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$15,680	\$7,559	\$23,239
Intergovernmental Receipts	19,930	21,804	41,734
Charges for Services	0	8,335	8,335
Fines, Licenses, and Permits	928	0	928
Earnings on Investments	2,811	259	3,070
Miscellaneous	566	5,664	6,230
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	39,915	43,621	83,536
Cash Disbursements:			
Current:			
Security of Persons and Property	6,515	21,898	28,413
Community Environment	0	14,158	14,158
Basic Utility Services	0	2,837	2,837
Transportation	0	16,540	16,540
General Government	51,003	0	51,003
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	57,518	55,433	112,951
Total Receipts (Under) Disbursements	<hr/>	<hr/>	<hr/>
	(17,603)	(11,812)	(29,415)
Other Financing Receipts:			
Sale of Assets	2,104	567	2,671
	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)	2,104	567	2,671
Excess of Cash Receipts and Other Financing Receipts (Under) Cash Disbursements	(15,499)	(11,245)	(26,744)
Fund Cash Balances, January 1	50,908	179,989	230,897
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	\$35,409	\$168,744	\$204,153
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Reserves for Encumbrances, December 31	\$242	\$349	\$591

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 FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2001**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$92,791
Miscellaneous	39
	92,830
Total Operating Cash Receipts	92,830
Operating Cash Disbursements:	
Personal Services	4,414
Fringe Benefits	405
Contractual Services	14,757
Supplies and Materials	789
Capital Outlay	116,869
	137,234
Total Operating Cash Disbursements	137,234
Operating (Loss)	(44,404)
Non-Operating Cash Receipts:	
Special Assessments	4,000
Intergovernmental Receipts	188,833
	192,833
Total Non-Operating Cash Receipts	192,833
Non-Operating Cash Disbursements:	
Debt Service	57,754
	57,754
Net Receipts Over Disbursements	90,675
Fund Cash Balances, January 1	64,250
	64,250
Fund Cash Balances, December 31	\$154,925

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, 2002 AND 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Edison, Morrow County, (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 water and sewer utilities and police 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:

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. 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 Funds:

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

Fire- This fund receives levy money from Morrow County and charges for services from Gilead Township for providing fire protection.

**VILLAGE OF EDISON
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

3. Enterprise Funds

These funds 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.

OWDA Grant Construction Fund - This fund receives grants from the USDA Rural Development for the construction of a waste water treatment plant.

4. 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 Fund:

Mayor's Court Fund- This fund receives monies from collections on 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.

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 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, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

3. 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. The Village did not encumber all commitments required by Ohio law.

A summary of 2002 and 2001 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.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2002	2001
Demand deposits	\$435,684	\$359,078

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2002 and December 31, 2001 follows:

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$42,700	\$60,806	\$18,106
Special Revenue	43,495	50,070	6,575
Enterprise	194,036	194,763	727
Total	\$280,231	\$305,639	\$25,408

**VILLAGE OF EDISON
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$79,772	\$57,127	\$22,645
Special Revenue	172,949	70,182	102,767
Enterprise	215,280	106,893	108,387
Total	\$468,001	\$234,202	\$233,799

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$38,242	\$42,019	\$3,777
Special Revenue	19,800	44,188	24,388
Enterprise	38,800	285,663	246,863
Total	\$96,842	\$371,870	\$275,028

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$94,960	\$57,760	\$37,200
Special Revenue	186,700	55,782	130,918
Enterprise	232,175	194,988	37,187
Total	\$513,835	\$308,530	\$205,305

For 2001, the Village only had estimated resources certified at the fund type level and not at the fund level as required by the Ohio Revised Code. As a result of not obtaining a certificate of estimated resources at the fund level, the Village is considered to have had all appropriations in excess of certified estimated resources for each fund during 2001, with the exception of the General Fund. In the General Fund appropriations exceeded certified estimated resources by \$18,390. These conditions are contrary to Ohio Revised Code Section 5705.39.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the 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.

**VILLAGE OF EDISON
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

4. 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.

5. DEBT

Debt outstanding at December 31, 2002 was as follows:

	Principal	Interest Rate
USDA Bond	\$1,350,000	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 \$74,804, 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:

	USDA Bond
Year ending December 31:	
2003	\$74,804
2004	74,804
2005	74,804
2006	74,804
2007	74,804
2008 - 2012	374,015
2013 - 2017	374,015
2018 - 2022	374,015
2023 - 2027	374,015
2028 - 2032	374,015
2033 - 2037	373,107
2038 - 2040	224,467
Total	\$2,841,669

6. RETIREMENT SYSTEMS

The Village's full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. This plan provides retirement benefits, including postretirement healthcare, 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 2002 and 2001, PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 2002.

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.

**VILLAGE OF EDISON
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

7. RISK MANAGEMENT

Risk Pool Membership

The Village belongs to the Ohio Government Risk Management Plan (the "Plan"), an unincorporated non-profit association with approximately 600 governmental entity members providing a formalized, jointly administered self-insurance risk management program and other administrative services.

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed 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 coverage, 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 uses conventional insurance coverage and reinsures this coverage. Effective September 1, 2002, the Plan retains 5% of the premium and losses on the first \$500,000 casualty treaty (up to \$25,000 of a loss) and 5% of the first \$1,000,000 property treaty (up to \$50,000 of a loss). The Plan also participates in a loss corridor in its first \$500,000 casualty reinsurance. The corridor includes losses paid between 55% and 65% of premiums earned under this treaty. (Reinsurance coverage would resume after a paid loss ratio of 65% is exceeded.) The individual members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

8. CONTINGENT LIABILITIES

The Village is defendant in the following actions:

- Former Village Marshall seeking a judgment for back pay. On June 30, 2003, the Village finalized a settlement in the amount of \$5,500.
- Breach of Contract by the Village for the construction of the wastewater treatment project. The major area where the Village may have exposure for an unfavorable outcome involves a possible renegotiation of the contract price for granular backfill presented by the defendant in the approximate amount of \$400,000.



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Village of Edison
Morrow County
103 N. Boundary Street
P.O. Box 245
Edison, Ohio 43320

To the Village Council:

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, 2002, and December 31, 2001, and have issued our report thereon dated October 17, 2003. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2002-001 through 2002-004. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated October 17, 2003.

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 for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 2002-005.

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A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated October 17, 2003.

This report is intended solely for the information and use of the audit committee, management and the Village Council, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

October 17, 2003

**VILLAGE OF EDISON
MORROW COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001**

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

FINDING NUMBER 2002-001

Prior Certification of Expenditures

Ohio Rev. Code Section 5705.41(D) states that no subdivision shall make any contract or order any expenditure of money unless the 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. Further, contracts and orders for expenditures lacking prior certification should be considered null and void.

This section also provides two exceptions to the above requirements:

- A. Then and Now Certificate - if no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the order or contract and at the time of the certificate, appropriated and free of any previous encumbrance, the Council may authorize the issuance of a check in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.
- B. If the amount involved is less than \$1,000, the fiscal officer may authorize it to be paid without the affirmation of Council upon completion of a then and now certificate, if such expenditure is otherwise valid. As of April, 2003, this amount was increased to \$3,000.

Thirty-two percent of the transactions tested were not certified by the Clerk/Treasurer prior to the commitment being incurred, nor were they certified using a then-and-now certification. This procedure is not only required by Ohio law, but is a key control in the disbursement process to assure that purchase commitments receive prior approval, and to help reduce the possibility of Village funds being over expended or exceeding budgetary spending limitations as set by the Council.

FINDING NUMBER 2002-002

Appropriations exceeding Estimated Resources

Ohio Rev. Code Section 5705.39, states the total appropriation from each fund should not exceed the total estimated revenue as certified by the county budget commission. No appropriation measure is to become effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

VILLAGE OF EDISON
MORROW COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001
(Continued)

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

FINDING NUMBER 2002-002 (Continued)

Appropriations exceeding Estimated Resources (Continued)

The Village had appropriations in excess of estimated resources at December 31, 2002 in the following funds:

	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Excess</u>
<u>December 31, 2002</u>			
Street Construction Fund	\$ 45,613	\$ 60,520	\$ 14,907
Fire Protection Fund	23,800	24,180	380
<u>December 31, 2001</u>			
General Fund	\$76,570	\$94,960	\$18,390
Special Revenue Fund Type	54,185	186,700	132,515
Enterprise Fund Type	63,700	232,175	168,475

For 2001, the Village only had estimated resources certified at the fund type level and not at the fund level as required by the Ohio Revised Code. As a result of not obtaining a certificate of estimated resources at the fund level, the Village is considered to have had all appropriations in excess of certified estimated resources for each fund during 2001, with the exception of the General Fund.

We recommend the Village Council and Clerk/Treasurer periodically review the Village's appropriations versus certified estimated resources to identify and investigate any variances and to help monitor legal compliance. The Village officials should ensure that the Village has properly prepared and submitted all required budgetary documents to the county auditor. Also, each time appropriations are adopted or amended the Village should ensure the certificate of the County Auditor is received indicating appropriations do not exceed certified resources.

FINDING NUMBER 2002-003

Distribution of Revenues

Ohio Rev. Code Section 5705.10 requires that all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose is to be paid into a special fund for such purpose.

**VILLAGE OF EDISON
MORROW COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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**FINDING NUMBER 2002-003
(Continued)**

Distribution of Revenues (Continued)

During the year 2002, the Village, on several occurrences, did not record revenues to the proper funds. This resulted in adjustments to the 2002 fund balances as follows:

<u>Fund</u>	<u>Description</u>	<u>Increase</u>	<u>Decrease</u>
General Fund			\$11,128
Fire Protection Fund	Homestead and Rollback	\$972	
Street/Sewer Fund	Homestead and Rollback	729	
Sewer Operating Fund	Special Assessment Receipts	5,887	
Agency Mayors Court	Fines and Court Costs	3,540	
Totals		<u>\$ 11,128</u>	<u>\$ 11,128</u>

The Village has recorded these adjustments to the financial statements and to its financial accounting records.

We recommend the Village management closely monitor the financial activity. Procedures should be implemented to assure that fund revenues are recorded in accordance with the Ohio Revised Code. This will help to assure that fund balances are reported accurately to the Village Council.

FINDING NUMBER 2002-004

Mayor's Court Distributions

During 2002 the Village Mayor's Court processed several cases involving traffic offenses pertaining to misdemeanor moving violations, seatbelt violations, and child restraint violations. As a result of these cases, the Mayor's Court assessed the fines and additional court costs totaling \$3,540 as required by various sections of the Ohio Revised Code. The Mayor's Court did not, however, distribute any of these fines or additional court costs monies to the state as required by these sections. Instead, these fines and additional court costs were remitted to the Village Clerk/Treasurer and receipted in the Village General Fund. The Village has violated the following sections of the Ohio Revised Code:

- Ohio Rev. Code Section 2949.091(A)(1) requires the court, in which any person is convicted of or pleads guilty to any offense other than a traffic offense that is not a moving violation, shall impose the sum of eleven dollars as costs in the case in addition to any other court costs that the court is required by law to impose upon the offender. All such moneys collected during a month shall 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. The court shall not waive the payment of the additional eleven dollars court costs, unless the court determines that the offender is indigent and waives the payment of all court costs imposed upon the indigent offender.

VILLAGE OF EDISON
MORROW COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001
(Continued)

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

FINDING NUMBER 2002-004 (Continued)

Mayor's Court Distributions (Continued)

During 2002 the Village Mayor's Court processed 133 cases involving traffic offenses pertaining to moving violations. The Mayor's Court assessed and collected the additional \$11 from each offender who was convicted of or who pleaded guilty of these offenses, for a total of \$1,463. The Mayor's Court did not, however, distribute any of these additional court costs monies to the state as required. Instead, these additional court costs were remitted to the Village Clerk/Treasurer and receipted in the Village General Fund.

- Ohio Rev. Code Section 2743.70(A)(1) requires the court, in which any person is convicted of or pleads guilty to any offense other than a traffic offense that is not a moving violation, shall impose the following sum as costs in the case in addition to any other court costs that the court is required by law to impose upon the offender:
 - (a) Thirty dollars, if the offense is a felony;
 - (b) Nine dollars, if the offense is a misdemeanor.

The court shall not waive the payment of the thirty or nine dollars court costs, unless the court determines that the offender is indigent and waives the payment of all court costs imposed upon the indigent offender. All such moneys shall be transmitted on the first business day of each month by the clerk of the court to the treasurer of state and deposited by the treasurer in the reparations fund.

During 2002 the Village Mayor's Court processed 133 cases involving misdemeanor traffic offenses pertaining to moving violations. The Mayor's Court assessed and collected the additional \$9 from each offender who was convicted of or who pleaded guilty to these offenses, for a total of \$1,197. The Mayor's Court did not, however, distribute any of these additional court costs monies to the state as required. Instead, these additional court costs were remitted to the Village Clerk/Treasurer and receipted in the Village General Fund.

- Ohio Rev. Code Section 4511.99(H)(1) provides that whoever is a resident of this state and violates division (A) or (B) of section 4511.81 (Ohio's Child Restraint Law) of the Revised Code shall be punished with either a minor misdemeanor (punishable by a fine of up to \$100 per Ohio Rev. Code section 2929.21), or if the offender previously has been convicted of or pleaded guilty to a violation of Ohio's Child Restraint law or of a municipal ordinance that is substantially similar to Ohio's Child Restraint Law, with a misdemeanor of the fourth degree (punishable by a fine of up to \$250 per Ohio Rev. Code section 2929.21). According to Ohio Rev. Code Section 4511.99(H)(3), all the above fines shall be forwarded to the treasurer of state for deposit in the "child highway safety fund."

During 2002 the Village Mayor's Court processed 3 violations of Ohio's Child Restraint Law. The Mayor's Court assessed and collected a fine of \$80 for each violation by an offender who was a resident of Ohio, for a total of \$240. The Mayor's Court, however, did not distribute any of these fine monies to the state as required. Instead, these fines were remitted to the Village Clerk/Treasurer and receipted in the Village General Fund.

VILLAGE OF EDISON
MORROW COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001
(Continued)

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

FINDING NUMBER 2002-004 (Continued)

Mayor's Court Distributions (Continued)

- Ohio Rev. Code Section 4513.263(E)(1) provides that all fines collected for violation of Ohio Rev. Code Section 4513.263(B) (Ohio's Seat Belt Law), or for violations of any ordinance that is substantively comparable to Ohio's Seat Belt Law, shall be forwarded to the treasurer of state for deposit into various funds in the state treasury.

During 2002 the Village Mayor's Court processed 8 violations of Ohio's Seat Belt Law. The Mayor's Court assessed and collected a fine of \$80 for each violation, for a total of \$640. The Mayor's Court, however, did not distribute any of these fine monies to the state as required. Instead, these fines were remitted to the Village Clerk/Treasurer and receipted in the Village General Fund.

On September 30, 2003, the Village paid \$3,540 from the General Fund to the State of Ohio.

FINDING NUMBER 2002-005

Bank Reconciliations

The Village's financial records were not reconciled properly with the bank statements throughout 2001 and 2002. Although the Village Clerk/Treasurer attempted to reconcile the financial records monthly, there were differences that were not supported. This has resulted in posting errors going uncorrected during 2001 and 2002. The Village reflected the ending fund balances at December 31, 2002 as \$474,251 while the accurate fund balances were \$435,684.

We recommend the Village Clerk/Treasurer provide support for all unreconciled differences in the future. In addition, we recommend bank to book reconciliations be performed immediately upon receipt of the bank statements and that the Village Council review the reconciliations.

**VILLAGE OF EDISON
MORROW COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2002**

Finding Number	Finding Summary	Fully Corrected?	
2000-VOE-1	Ohio Rev. Code Section 5705.39 total appropriations from each fund should not exceed total estimated resources.	No	Reissued as finding 2002-002.
2000-VOE-2	Ohio Rev. Code Section 5705.41(B) no subdivision is to expend monies unless it has been appropriated	Yes	
2000-VOE-3	Ohio Rev. Code Section 5705.41(D) no orders or contracts involving the expenditure of monies are to be made unless there is a certificate of the fiscal officer that amount required for the order or contract has been lawfully appropriated.	No	Reissued as finding 2002-001
2000-VOE-4	Ohio Adm. Code 117-2-02 all local public offices shall maintain an accounting system and sufficient accounting records.	No	Similar finding issued as 2002-005.



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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 30, 2003**