

VILLAGE OF EDISON
MORROW COUNTY
REPORT ON FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003



**Auditor of State
Betty Montgomery**

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

We have reviewed the *Independent Auditor's Report* of the Village of Edison, Morrow County, prepared by Holbrook & Manter, CPAs, for the audit period January 1, 2003 to December 31, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

September 20, 2006

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INDEPENDENT AUDITORS' REPORT

Village Council
Village of Edison
Morrow County

We have audited the accompanying financial statements of the Village of Edison, Morrow County, Ohio, (the Village) as of and for the years ended December 31, 2004 and 2003. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

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

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require, governments to reformat their statements. The Village has elected not to reformat its statements. Since this Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2004 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, 2004, or its changes in financial position for the year then ended.

Also, 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 of Edison, Morrow County, as of December 31, 2004 and 2003, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the years ended December 31, 2004. The Government has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be a part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2005 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Certified Public Accountants

October 21, 2005

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, 2004

	<u>Governmental Fund Types</u>			<u>Total (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash receipts:-				
Local taxes	\$ 24,400	\$ 12,063	\$ 0	\$ 36,463
Intergovernmental	16,189	26,099	0	42,288
Fines, licenses, and permits	3,905	0	0	3,905
Earnings on investments	588	454	0	1,042
Miscellaneous	41	2,244	0	2,285
Total cash receipts	45,123	40,860	0	85,983
Cash disbursements:-				
Current:				
Security of persons and property	13,895	9,340	0	23,235
Community environment	0	8,143	0	8,143
Basic utility services	0	2,167	0	2,167
Transportation	0	46,050	0	46,050
General government	38,729	330	0	39,059
Total cash disbursements	52,624	66,030	0	118,654
Excess of cash receipts over (under) cash disbursements	(7,501)	(25,170)	0	(32,671)
Fund cash balances, January 1, 2004	32,794	144,379	95,817	272,990
Fund cash balances, December 31, 2004	\$ 25,293	\$ 119,209	\$ 95,817	\$ 240,319
Reserve for encumbrances, December 31, 2004	\$ 514	\$ 2,460	\$ 0	\$ 2,974

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, 2004

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating cash receipts:-			
Charges for services	\$ 95,106	\$ 0	\$ 95,106
Fines, licenses, and permits	75	0	75
Total operating cash receipts	95,181	0	95,181
Operating cash disbursements:-			
Personal services	7,223	0	7,223
Fringe benefits	812	0	812
Contractual services	15,582	0	15,582
Supplies and materials	984	0	984
Capital outlay	927	0	927
Total operating cash disbursements	25,528	0	25,528
Operating income	69,653	0	69,653
Non-operating cash receipts:-			
Property tax and other local taxes	3,143	0	3,143
Miscellaneous	4,711	0	4,711
Mayor's court fines and court costs	0	11,291	11,291
Total non-operating cash receipts	7,854	11,291	19,145
Non-operating cash disbursements:-			
Debt service - principal	60,750	0	60,750
Debt service - interest	14,054	0	14,054
Other financing uses	12,111	0	12,111
Mayor's court fines and costs	0	10,171	10,171
Total non-operating cash disbursements	86,915	10,171	97,086
Net receipts over (under) disbursements	(9,408)	1,120	(8,288)
Fund cash balances, January 1, 2004	156,511	0	156,511
Fund cash balances, December 31, 2004	\$ 147,103	\$ 1,120	\$ 148,223
Reserve for encumbrances, December 31, 2004	\$ 133	\$ 0	\$ 133

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, 2003

	Governmental Fund Types			Total (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash receipts:-				
Local taxes	\$ 24,751	\$ 14,289	\$ 0	\$ 39,040
Intergovernmental	20,769	25,549	0	46,318
Fines, licenses, and permits	1,769	0	0	1,769
Interest	695	34	0	729
Miscellaneous	17,215	2,529	0	19,744
Total cash receipts	65,199	42,401	0	107,600
Cash disbursements:-				
Current:				
Security of persons and property	17,999	9,343	0	27,342
Community environment	0	14,400	0	14,400
Basic utility services	0	300	0	300
Transportation	0	29,083	0	29,083
General government	53,906	248	0	54,154
Total cash disbursements	71,905	53,374	0	125,279
Total receipts over (under) cash disbursements	(6,706)	(10,973)	0	(17,679)
Other financing receipts (disbursements):-				
Sale of assets	257	5,516	0	5,773
Transfers - in	0	23,729	0	23,729
Transfers - out	0	(23,729)	0	(23,729)
Total other financing receipts (disbursements)	257	5,516	0	5,773
Excess of cash receipts and other financing receipts over (under) cash disbursements and other financing disbursements	(6,449)	(5,457)	0	(11,906)
Fund cash balances, January 1, 2003 (restated)	39,243	149,836	95,817	284,896
Fund cash balances, December 31, 2003	\$ 32,794	\$ 144,379	\$ 95,817	\$ 272,990
Reserve for encumbrances, December 31, 2003	\$ 244	\$ 3,142	\$ 0	\$ 3,386

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, 2003

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating cash receipts:-			
Charges for services	\$ 106,228	0	106,228
Fines, licenses, and permits	50	0	50
Total operating cash receipts	106,278	0	106,278
Operating cash disbursements:-			
Personal services	5,789	0	5,789
Fringe benefits	484	0	484
Contractual services	15,284	0	15,284
Supplies and materials	1,258	0	1,258
Miscellaneous	50	0	50
Capital outlay	7,587	0	7,587
Total operating cash disbursements	30,452	0	30,452
Operating income	75,826	0	75,826
Non-operating cash receipts:-			
Property tax and other local taxes	6,241	0	6,241
Mayor's court fines and court costs	0	17,943	17,943
Special assessments	2,000	0	2,000
Total non-operating cash receipts	8,241	17,943	26,184
Non-operating cash disbursements:-			
Debt service - principal	60,750	0	60,750
Debt service - interest	14,054	0	14,054
Mayor's court fines and costs	0	21,483	21,483
Total non-operating cash disbursements	74,804	21,483	96,287
Net receipts over (under) disbursements before interfund transfers	9,263	(3,540)	5,723
Transfers-in	74,804	0	74,804
Transfers-out	(74,804)	0	(74,804)
Net receipts over (under) disbursements	9,263	(3,540)	5,723
Fund cash balances, January 1, 2003 (restated)	147,248	3,540	150,788
Fund cash balances, December 31, 2003	\$ 156,511	\$ 0	\$ 156,511
Reserve for encumbrances, December 31, 2003	\$ 147	\$ 0	\$ 147

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, 2004 AND 2003**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:-

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

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

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

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

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

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

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

General Fund

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

Special Revenue Funds

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

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, 2004 AND 2003

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

Capital Project Funds

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

OWDA Grant Construction Fund

This fund received grants from the USDA Rural Development for the construction of a waste water treatment plant.

Enterprise Funds

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

Sewer Fund

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

Fiduciary Fund (Agency Fund)

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

Mayor's Court Fund

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

- E. Budgetary Process** - The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

Appropriations

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

Estimated Resources

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

Encumbrances

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

A summary of 2004 and 2003 budgetary activity appears in Note 3.

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

**VILLAGE OF EDISON
MORROW COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003**

NOTE 2 - EQUITY IN POOLED CASH AND INVESTMENTS:-

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

	2004	2003
Demand deposits	\$ 388,542	\$ 429,501

Deposits - The Village's deposits are insured by the Federal Depository Insurance Corporation up to \$100,000. As of December 31, 2004 and 2003, deposits over \$100,000 were collateralized by securities specifically held by a financial institution.

NOTE 3 - BUDGETARY ACTIVITY:-

Budgetary activity for the year ending December 31, 2004 was as follows:

2004 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 53,838	\$ 45,123	\$ (8,715)
Special Revenue	37,022	40,860	3,838
Capital Projects	0	0	0
Proprietary and Fiduciary	100,000	114,326	14,326
Total	\$ 190,860	\$ 200,309	\$ 9,449

2004 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 67,866	\$ 53,138	\$ 14,728
Special Revenue	159,593	68,490	91,103
Capital Projects	0	0	0
Proprietary and Fiduciary	198,470	122,614	75,856
Total	\$ 425,929	\$ 244,242	\$ 181,687

Contrary to Ohio law, during 2004, the budgetary expenditures exceeded the appropriation authority in the Enterprise Funds by \$2,784.

**VILLAGE OF EDISON
MORROW COUNTY**
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003

NOTE 3 - BUDGETARY ACTIVITY:- (continued)

Budgetary activity for the year ending December 31, 2003 was as follows:

2003 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 55,840	\$ 65,456	\$ 9,616
Special Revenue	60,452	71,646	11,194
Capital Projects	0	0	0
Proprietary and Fiduciary	<u>95,269</u>	<u>207,266</u>	<u>111,997</u>
Total	\$ <u>211,561</u>	\$ <u>344,368</u>	\$ <u>132,807</u>

2003 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 104,130	\$ 71,905	\$ 32,225
Special Revenue	156,793	77,103	79,690
Capital Projects	0	0	0
Proprietary and Fiduciary	<u>211,550</u>	<u>201,543</u>	<u>10,007</u>
Total	\$ <u>472,473</u>	\$ <u>350,551</u>	\$ <u>121,922</u>

Contrary to Ohio law, during 2003, the budgetary expenditures exceeded the appropriation authority in the Enterprise Funds by \$68,633. Also, contrary to Ohio law, total appropriations exceeded estimated resources during 2003 in the General fund by \$9,047.

**VILLAGE OF EDISON
MORROW COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003**

NOTE 4 - PROPERTY TAX:-

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

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

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

NOTE 5 - DEBT:-

Debt outstanding at December 31, 2004, was as follows:

	Balance 12/31/2004	Interest Rate
USDA Bond	\$ 1,321,260	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:

Year Ending December 31	USDA Bond
2005	\$ 74,804
2006	74,804
2007	74,804
2008	74,804
2009	74,804
2010-2014	374,018
2015-2019	374,018
2020-2024	374,018
2025-2029	374,018
2030-2034	374,018
2035-2039	374,018
2040-2044	73,715
Total	2,691,843
Less interest expense	1,370,583
Total principal	\$ 1,321,260

**VILLAGE OF EDISON
MORROW COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003**

NOTE 6 - RETIREMENT SYSTEMS:-

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

Contribution rates are also prescribed by the Ohio Revised Code. For 2004 and 2003, PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 2004.

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

NOTE 7 - RISK MANAGEMENT:-

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

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

The Plan issues its own policies and reinsures with A-VII or better rated carriers, except for a 5% portion retained by the Plan. After September 1, 2003, the Plan pays the lesser of 5% or \$25,000 for casualty losses and the lesser of 5% or \$50,000 for property losses. The individual members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

The Plan's financial statements conform with accounting principles generally accepted in the United States of America, and reported the following assets, liabilities and retained earnings at December 31, 2004, and 2003:

	2004	2003
Assets	\$ 6,685,522	\$ 5,402,167
Liabilities	(2,227,808)	(1,871,123)
Members' Equity	<u>\$ 4,457,714</u>	<u>\$ 3,531,044</u>

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

NOTE 8 - CONTINGENCY:-

The Village is defendant in a lawsuit for a breach of contract in connection with 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.

VILLAGE OF EDISON
MORROW COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003

NOTE 9 - PRIOR PERIOD ADJUSTMENT:-

The following adjustments were made to correct the beginning audited balances as of January 1, 2003. The correction is in connection with the OWDA Grant Construction Fund, which was presented incorrectly as a proprietary fund type during the prior period audit, performed by the predecessor auditor. Due to the contingency discussed in Note 8 and based on representations from the Village's legal counsel and management, the OWDA Grant Construction Fund is required to be presented as a Capital Projects fund (governmental fund type) until the resolution of the contingency.

Fund Type	Balances 12/31/2002	Adjustments	Balances 1/1/2003
Governmental	\$ 0	\$ 95,817	\$ 95,817
Proprietary	243,065	(95,817)	147,248
Total	\$ 243,065	\$ 0	\$ 243,065



Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit Performed in Accordance with *Government Auditing Standards*

Village Council
Village of Edison
Morrow County

We have audited the accompanying financial statements of the Village of Edison, Morrow County, Ohio (the Village), as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated October 21, 2005, wherein we noted the Village had followed accounting practices the Auditor of State of Ohio prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. In a separate letter to the Village's management dated October 21, 2005, we reported other matters involving internal control over financial reporting we did not deem a reportable condition.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed two instances of noncompliance that we must report under *Government Auditing Standards*, which is described in the accompanying schedule of findings as items 2004-001 and 2004-002. In a separate letter to the Village's management dated October 21, 2005, we reported other matters related to noncompliance we deemed immaterial.

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

Holbrook & Manter

Certified Public Accountants

October 21, 2005

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**VILLAGE OF EDISON
MORROW COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003**

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

Finding Number 2004-001

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 encumbrances. Further, contracts and orders for expenditures lacking prior certification should be considered null and void.

This Section 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 purchase order or contract and at the time of the certificate, appropriated and free from any previous encumbrances, the Board of Commissioners 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 the Board of Commissioners, if such expenditure is otherwise valid. Effective April 7, 2003, legislation increased this amount to \$3,000.

Twenty-three percent of transactions tested were not certified 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 the Villages funds being over-expended or exceeding budgetary spending limitations.

Officials' Response

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

Finding Number 2004-002

Appropriations Exceeding Estimated Resources

Ohio Revised Code Section 5705.39 states that 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. The Village's appropriations in the General fund exceeded estimated resources by \$9,047 at December 31, 2003.

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.

Officials' Response

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

**VILLAGE OF EDISON
MORROW COUNTY
SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2004 AND 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2002-001	ORC 5705.41 - Fiscal officer must certify the commitment of money prior to the expenditure taking place.	No	Repeated in the Schedule of Findings in the 2004 and 2003 audit report as Finding # 2004-001.
2002-002	ORC 5705.39 total appropriations from each fund should not exceed total estimated resources.	No	Repeated in the Schedule of Findings in the 2004 and 2003 audit report as Finding # 2004-002.
2002-003	ORC 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.	Yes	
2002-004	ORC 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.	Yes	
2002-005	The Village's financial records were not reconciled properly with the bank statements throughout 2001 and 2002.	Yes	



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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
OCTOBER 3, 2006**