



**Auditor of State
Betty Montgomery**

VILLAGE OF EDON
WILLIAMS COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council and Board of Public Affairs:

We have audited the accompanying financial statements of the Village of Edon, Williams County, (the Village) as of and for the years ended December 31, 2002 and 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 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 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 generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village as of December 31, 2002 and 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 June 20, 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 audits.

Village of Edon
Williams County
Independent Accountants' Report
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This report is intended solely for the information and use of the finance committee, management, Village Council, Board of Public Affairs, 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

June 20, 2003

**VILLAGE OF EDON
WILLIAMS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$29,891			\$29,891
Municipal Income Tax	119,692		\$79,208	198,900
Intergovernmental Receipts	89,110	\$48,964		138,074
Fines, Licenses, and Permits		379		379
Earnings on Investments	6,393	142		6,535
Miscellaneous	21,264			21,264
				<hr/>
Total Cash Receipts	266,350	49,485	79,208	395,043
Cash Disbursements:				
Current:				
Security of Persons and Property	133,263			133,263
Public Health Services	4,000			4,000
Leisure Time Activities	15,669			15,669
Transportation	35,826	49,238		85,064
General Government	78,441			78,441
Capital Outlay			55,554	55,554
				<hr/>
Total Cash Disbursements	267,199	49,238	55,554	371,991
				<hr/>
Total Cash Receipts Over/(Under) Cash Disbursements	(849)	247	23,654	23,052
Other Financing Receipts and (Disbursements):				
Transfers-In		1,500		1,500
Transfers-Out	(1,500)			(1,500)
Advances-Out			(5,000)	(5,000)
Other Financing Uses	(2,701)			(2,701)
				<hr/>
Total Other Financing Receipts and (Disbursements)	(4,201)	1,500	(5,000)	(7,701)
				<hr/>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(5,050)	1,747	18,654	15,351
				<hr/>
Fund Cash Balances, January 1	22,878	27,826	117,821	168,525
				<hr/>
Fund Cash Balances, December 31	\$17,828	\$29,573	\$136,475	\$183,876

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

**VILLAGE OF EDON
WILLIAMS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2002**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$400,315
Total Operating Cash Receipts	400,315
Operating Cash Disbursements:	
Personal Services	56,797
Fringe Benefits	14,973
Contractual Services	36,667
Supplies and Materials	82,911
Capital Outlay	10,708
Total Operating Cash Disbursements	202,056
Operating Income	198,259
Non-Operating Cash Receipts:	
Property Tax and Other Local Taxes	40,444
Non-Operating Cash Disbursements:	
Interest and Other Fiscal Charges	69,457
Debt Service	206,567
Total Non-Operating Cash Disbursements	276,024
Excess of Cash Receipts Under Cash Disbursements Before Interfund Transfers and Advances	(37,321)
Advances-In	5,000
Net Cash Disbursements Over Cash Receipts	(32,321)
Fund Cash Balances, January 1	28,351
Fund Cash Balances, December 31	(\$3,970)

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

**VILLAGE OF EDON
WILLIAMS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$149,847		\$78,854	\$228,701
Intergovernmental Receipts	107,103	\$34,242	14,503	155,848
Fines, Licenses, and Permits		50		50
Earnings on Investments	15,193	379		15,572
Miscellaneous	20,853			20,853
Total Cash Receipts	<u>292,996</u>	<u>34,671</u>	<u>93,357</u>	<u>421,024</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	145,945	250		146,195
Public Health Services	4,000			4,000
Leisure Time Activities	16,363			16,363
Transportation	31,570	33,985		65,555
General Government	85,358			85,358
Capital Outlay	113		87,500	87,613
Total Cash Disbursements	<u>283,349</u>	<u>34,235</u>	<u>87,500</u>	<u>405,084</u>
Total Cash Receipts Over Cash Disbursements	<u>9,647</u>	<u>436</u>	<u>5,857</u>	<u>15,940</u>
Other Financing Receipts and (Disbursements):				
Other Uses	(12,274)			(12,274)
Transfers-In		2,000		2,000
Transfers-Out	(2,000)			(2,000)
Total Other Financing Receipts and (Disbursements)	<u>(14,274)</u>	<u>2,000</u>		<u>(12,274)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(4,627)	2,436	5,857	3,666
Fund Cash Balances, January 1	<u>27,505</u>	<u>25,390</u>	<u>111,964</u>	<u>164,859</u>
Fund Cash Balances, December 31	<u><u>\$22,878</u></u>	<u><u>\$27,826</u></u>	<u><u>\$117,821</u></u>	<u><u>\$168,525</u></u>

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

**VILLAGE OF EDON
WILLIAMS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2001**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$356,668
Total Operating Cash Receipts	356,668
Operating Cash Disbursements:	
Personal Services	55,443
Fringe Benefits	10,334
Contractual Services	51,441
Supplies and Materials	65,676
Capital Outlay	529,496
Total Operating Cash Disbursements	712,390
Operating Loss	(355,722)
Non-Operating Cash Receipts:	
Property Tax and Other Local Taxes	40,632
Proceeds from Notes and Bonds	545,783
Total Non-Operating Cash Receipts	586,415
Non-Operating Cash Disbursements:	
Debt Service - Principal	166,718
Debt Service - Interest	82,260
Total Non-Operating Cash Disbursements	248,978
Excess of Cash Disbursements Over Cash Receipts	(18,285)
Fund Cash Balances, January 1	46,636
Fund Cash Balances, December 31	\$28,351

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

**VILLAGE OF EDON
WILLIAMS COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Edon, Williams 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 general government services including water and sewer utilities, park operations (leisure time activities), street maintenance, police services, and general Village maintenance.

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

Certificates of deposit are valued at cost.

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 Fund

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.

Motor Vehicle License Tax Fund - This fund receives auto registration tax money for constructing, maintaining, and repairing Village streets.

**VILLAGE OF EDON
WILLIAMS COUNTY**

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

3. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project fund:

Capital Projects Fund – Proceeds received are the village's income tax revenues. The proceeds are being used for the repair and maintenance of Village's streets.

4. 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:

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

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

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2002 and 2001 budgetary activity appears in Note 3.

**VILLAGE OF EDON
WILLIAMS COUNTY**

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

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.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Village maintains a cash and investments 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	69,878	90,086
Certificates of deposit	109,988	106,750
Cash on Hand	40	40
Total deposits and investments	\$179,906	\$196,876

Deposits are either (1) insured by the Federal Depository Insurance Corporation or (2) collateralized by securities specifically pledged by the financial institution to the Village.

3. BUDGETARY ACTIVITY

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

2002 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$266,500	\$266,350	(\$150)
Special Revenue	70,000	50,985	(19,015)
Capital Projects	78,000	79,208	1,208
Enterprise	465,000	440,759	(24,241)
Total	\$879,500	\$837,302	(\$42,198)

2002 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$289,378	\$271,400	\$17,978
Special Revenue	97,817	49,238	48,579
Capital Projects	202,918	55,554	147,364
Enterprise	486,254	478,080	8,174
Total	\$1,076,367	\$854,272	\$222,095

**VILLAGE OF EDON
WILLIAMS COUNTY**

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

2001 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$280,000	\$292,996	\$12,996
Special Revenue	35,256	36,671	1,415
Capital Projects	100,000	93,357	(6,643)
Enterprise	941,832	943,083	1,251
Total	<u>\$1,357,088</u>	<u>\$1,366,107</u>	<u>\$9,019</u>

2001 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$307,505	\$297,623	\$9,882
Special Revenue	60,646	34,235	26,411
Capital Projects	111,964	87,500	24,464
Enterprise	988,468	961,368	27,100
Total	<u>\$1,468,583</u>	<u>\$1,380,726</u>	<u>\$87,857</u>

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.

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

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

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

5. LOCAL INCOME TAX

The Village levies a municipal income tax of 1 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

**VILLAGE OF EDON
WILLIAMS COUNTY**

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

6. DEBT

Debt outstanding at December 31, 2002 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan	\$2,249,157	2.20% to 9.86%
General Obligation Notes	346,061	4.75% to 5.50%
Total	<u>\$2,595,218</u>	

The Ohio Water Development Authority (OWDA) loans relate to the improvements made to the Village's water and sewer plant that were mandated by the Ohio Environmental Protection Agency. The OWDA has approved up to \$3,290,845 in loans to the Village for these projects. The loans will be repaid in semiannual installments of \$108,986, including interest, over 20 years. The scheduled payment amount below shows the principal balance of \$2,249,157 at December 31, 2002. The scheduled payment will be adjusted to reflect any revisions in amounts actually borrowed at the conclusion of the repayment of outstanding loans.

The General Obligation Note relates to the repayment of an Ohio Water Development Authority (OWDA) loan used to prepare the plans and specifications of a Village water project in 1994; however, the construction of the project did not begin until 2000. The agreement with OWDA required the loan to be repaid, with interest, if the water project was not under construction at the end of five years. The Village did not start the new water facility within five years. The Village obtained a loan on July 1, 1999 from the Edon State Bank to repay the OWDA loan. The loan will be repaid in quarterly installments of \$2,838, including interest, over 10 years. The scheduled payment amount below shows the principal balance of \$65,212 at December 31, 2002.

On February 6, 2001, the Village obtained an additional loan from Edon State Bank for \$305,000 to help fund construction of a new water tower. The loan will be repaid in quarterly installments of \$7,499, including interest, over sixteen years. The scheduled payment amount below shows the principal balance of \$280,849 at December 31, 2002.

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

<u>Year ending December 31:</u>	<u>OWDA Loan</u>	<u>General Obligation Notes</u>
2003	\$230,853	\$41,344
2004	227,034	41,344
2005	227,034	41,344
2006	227,034	41,344
2007	227,034	41,345
2008 – 2017	1,431,178	267,317
Total	<u>\$2,570,167</u>	<u>\$474,038</u>

**VILLAGE OF EDON
WILLIAMS COUNTY**

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

7. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. These plans provide 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, OP&F participants contributed 10 percent of their wages. The Village contributed an amount equal to 19.5 percent of police participant wages. Members of OPERS contributed 8.5 percent of their wages. The Village contributed an amount equal to 13.55 percent of participants' gross salaries for 2001 and from January 1, 2000 through June 30, 2000. The Village has paid all contributions required through December 31, 2002.

8. RISK MANAGEMENT

Risk Pool Membership

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

Pursuant to § 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's, 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's and reinsures these coverage's 100 percent rather than using a risk pool of member funds to pay individual and collective losses. Therefore, the individual members are only responsible for their self-retention (deductible) amounts which vary from member to member.

8. COMPLIANCE

During 2002 and 2001, the Village did not assess penalties and interest on its delinquent income tax accounts or delinquent utility accounts as stipulated in the Village ordinances.

Contrary to the requirements of the Ohio Water Development Authority (OWDA) Cooperative Agreement for State Planning Projects, the Village did not generate sufficient revenues from water and sewer charges to pay its debt obligations to OWDA without using other revenue sources.



**Auditor of State
Betty Montgomery**

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

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Edon, Williams County, (the Village) as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated June 20, 2003. 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.

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 audits 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 2002-003. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated June 20, 2003.

Internal Control over Financial Reporting

In planning and performing our audits, 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 certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. 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. A reportable condition is described in the accompanying schedule of findings as item 2002-004. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

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 do not believe that the reportable condition described above is 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 June 20, 2003

This report is intended solely for the information and use of the finance committee, management, Village Council, and Board of Public Affairs 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

June 20, 2003

**VILLAGE OF EDON
WILLIAMS 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

Noncompliance Citation

Village Ordinance § 181.07 states that all taxpayers who have unpaid taxes should be assessed interest at the rate of six percent (6%) per annum and the taxpayers upon whom these taxes are imposed, and the employers required by this chapter to deduct, withhold and pay taxes imposed by this chapter shall be liable, in addition thereto, to a penalty of one half (½) of one percent (1%) of the amount of the unpaid tax for each month or fraction of a month for the first six (6) months of non-payment or five dollars (\$5.00), whichever is greater. The Board of Review may abate any interest or penalties assessed to taxpayers.

The Clerk does not assess any interest or penalties on late charges. We recommend that applicable interest and penalties be assessed on all taxpayers for late payments. We also recommend that Council monitor interest and penalties to ensure proper assessment and payment. In cases where Council waives interest and penalties, we recommend that it be documented in the minutes.

FINDING NUMBER 2002-002

Noncompliance Citation

Village of Edon Ordinance 7-96 states that billing for water services provided to Village residents shall be paid by the residents within ten days from the billing date. If payment is remitted to the Village after ten days from the billing date, a ten percent penalty shall be applied on any unpaid portion of the bill. The ordinance also lists that rates for all Corporate and residential customers.

The Clerk did not assess the ten percent penalty on any Village resident water service accounts that remitted payment after ten days from the billing date. This could result in the Village not collecting payment for water service provided to Village residents in a timely manner.

The Clerk did not correctly bill corporate accounts that had water usage over 1,000 gallons. This resulted in the Village losing revenue by under-charging corporate accounts.

In order to provide better controls over the collection of water service provided to the Village residents, we recommend the Clerk assess a ten percent penalty on all Village resident water service accounts that remit payment to the Village after ten days from the billing date as stated in the Village Ordinance. We also recommend that the Clerk properly charge the correct rates for all customer accounts. If rates have been improperly charged, the Clerk should recalculate and assess the proper amount of fees for all customers.

FINDING NUMBER 2002-003

Noncompliance Citation

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

**FINDING NUMBER 2002-003
(Continued)**

Village revenues generated from water and sewer charges to customers were not adequate to provide for payments required to pay its debt obligations to the Ohio Water Development Authority. This has resulted in the Village designating seventeen percent of income tax revenues and sanitation revenues to the Water and Sewer funds to subsidize its debt obligations payments

We recommend the Board of Public Affairs review the water and sewer rates charged to customers and approve amendments to rates that will generate an adequate amount of revenues that will provide for payments to meet its debt obligation to Ohio Water Development Authority.

FINDING NUMBER 2002-004

Reportable Condition - Income Tax Revenues

- There were eleven income tax mispostings where monies were posted to improper funds noted during the audit period. One of the mispostings resulted in a material adjustment of \$1,303.
- Refunds were not remitted for two individuals who submitted income tax returns.
- Out of the six companies tested, there was no indication on the quarterly business income tax remittances that they were reviewed for accuracy. In addition, there were no reconciliations performed between the quarterly business income tax remittances and the W-2's submitted by the companies. Two out of six companies did not submit their W-2's.
- There is no log maintained of those individuals that are sent late notices for not filing. Furthermore, late notices are not consistently maintained in the taxpayers' files. Once notices have been sent, there are no procedures implemented as to the collection of those late filers/payers.

These deficiencies increase the possibility that taxes due to the Village may remain uncollected and that errors or irregularities in the collection of tax revenues could go undetected. In order to provide greater assurance that all monies due are collected and reported in entirety, we recommend that:

- The Clerk reconcile her monthly income tax duplicate receipts/deposits to the amounts posted to the revenue ledgers.
- All returns be reviewed to ensure that refunds are remitted to the taxpayers. Refund information such as the check number and amount should be posted to the tax return.
- The Clerk review and initial quarterly business income tax remittances. At the end of the fiscal year, a reconciliation should be performed between the quarterly income tax remittances and the W-2s submitted by the companies. Any discrepancies noted should be investigated with the respective payroll clerks at the companies.
- The Clerk maintain a log of those taxpayers that late notices were sent to. Copies of all notices should be maintained in the taxpayers' files. In cases where taxpayers have not filed or paid their taxes, a list should be given to the Village Solicitor for collection.

**VILLAGE OF EDON
WILLIAMS COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2000-30186-001	Ohio Revised Code § 5705.41(D) improper certification of funds	Yes	Corrected.
2000-30186-002	Reportable Condition Delinquent Utility Accounts	No	Not corrected. Reissued as finding 2002-04.



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

VILLAGE OF EDON

WILLIAMS COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 5, 2003**