



**VILLAGE OF EDON  
WILLIAMS COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDING DECEMBER 31, 2009 AND 2010**



**Dave Yost • Auditor of State**



VILLAGE OF EDON  
WILLIAMS COUNTY

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# Dave Yost • Auditor of State

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

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in cursive script that reads "Dave Yost".

**Dave Yost**  
Auditor of State

March 18, 2011

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Edon, Williams County, (the Village) as of and for the years ended December 31, 2010 and 2009. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The

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Auditor of State permits, but does not require villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2010 and 2009 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, 2010 and 2009, or its changes in financial position or cash flows, where applicable for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Edon, Williams County, as of December 31, 2010 and 2009, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 18, 2011, 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.



**Dave Yost**  
Auditor of State

March 18, 2011



**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, 2010**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property and Local Taxes	\$23,593			\$23,593
Municipal Income Tax	270,328		\$28,027	298,355
Intergovernmental	95,361	\$49,332		144,693
Special Assessments	872			872
Fines, Licenses and Permits	3,225	50		3,275
Earnings on Investments	1,480	63		1,543
Miscellaneous	8,496	326		8,822
	<u>403,355</u>	<u>49,771</u>	<u>28,027</u>	<u>481,153</u>
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	170,210	156		170,366
Public Health Services	5,465			5,465
Leisure Time Activities	20,061			20,061
Community Environment	11,915			11,915
Transportation	56,672	47,213		103,885
General Government	84,758			84,758
Capital Outlay			55,227	55,227
	<u>349,081</u>	<u>47,369</u>	<u>55,227</u>	<u>451,677</u>
Total Receipts Over/(Under) Disbursements	<u>54,274</u>	<u>2,402</u>	<u>(27,200)</u>	<u>29,476</u>
<b>Other Financing Receipts / (Disbursements):</b>				
Other Financing Sources	1,445			1,445
Other Financing Uses	(4,596)			(4,596)
	<u>(3,151)</u>			<u>(3,151)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	51,123	2,402	(27,200)	26,325
Fund Cash Balances, January 1	<u>59,092</u>	<u>18,604</u>	<u>117,275</u>	<u>194,971</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$110,215</u></b>	<b><u>\$21,006</u></b>	<b><u>\$90,075</u></b>	<b><u>\$221,296</u></b>
Reserve for Encumbrances, December 31	<u>\$128</u>	<u>\$51</u>		<u>\$179</u>

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

**VILLAGE OF EDON  
WILLIAMS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<b>Proprietary Fund Types</b>
	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$485,836
<b>Operating Cash Disbursements:</b>	
Personal Services	74,944
Employee Fringe Benefits	18,804
Contractual Services	33,000
Supplies and Materials	113,505
Total Operating Cash Disbursements	240,253
Operating Income	245,583
<b>Non-Operating Cash Receipts:</b>	
Income Tax	38,120
<b>Non-Operating Cash Disbursements:</b>	
Capital Outlay	(6,924)
Redemption of Principal	(229,289)
Interest and Other Fiscal Charges	(35,003)
Total Non-Operating Cash Disbursements	(271,216)
Net Receipts Over Disbursements	12,487
Fund Cash Balances, January 1	7,376
<b>Fund Cash Balances, December 31</b>	<b>\$19,863</b>
Reserve for Encumbrances, December 31	\$109

*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, 2009**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
<b>Cash Receipts:</b>				
Property and Local Taxes	\$21,539	\$555		\$22,094
Municipal Income Tax	246,016		\$25,499	271,515
Intergovernmental	90,755	67,839	4,615	163,209
Special Assessments	1,369			1,369
Fines, Licenses and Permits	6,823	185		7,008
Earnings on Investments	1,164	49		1,213
Miscellaneous	4,355			4,355
<b>Total Cash Receipts</b>	<b>372,021</b>	<b>68,628</b>	<b>30,114</b>	<b>470,763</b>
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	165,078	75		165,153
Public Health Services	8,621			8,621
Leisure Time Activities	16,999			16,999
Community Environment	8,568			8,568
Basic Utility Service		20,000		20,000
Transportation	45,038	49,958		94,996
General Government	108,715			108,715
Debt Service:				
Redemption of Principal	8,445			8,445
Capital Outlay			33,801	33,801
<b>Total Cash Disbursements</b>	<b>361,464</b>	<b>70,033</b>	<b>33,801</b>	<b>465,298</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>10,557</b>	<b>(1,405)</b>	<b>(3,687)</b>	<b>5,465</b>
<b>Other Financing Receipts / (Disbursements):</b>				
Transfers-Out	(4,000)			(4,000)
Other Financing Sources	81			81
Other Financing Uses	(1,904)			(1,904)
<b>Total Other Financing Receipts / (Disbursements)</b>	<b>(5,823)</b>			<b>(5,823)</b>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	4,734	(1,405)	(3,687)	(358)
Fund Cash Balances, January 1	54,358	20,009	120,962	195,329
<b>Fund Cash Balances, December 31</b>	<b>\$59,092</b>	<b>\$18,604</b>	<b>\$117,275</b>	<b>\$194,971</b>
Reserve for Encumbrances, December 31	\$431	\$50		\$481

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

**VILLAGE OF EDON  
WILLIAMS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<b>Proprietary Fund Types</b>
	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$469,853
<b>Operating Cash Disbursements:</b>	
Personal Services	63,427
Employee Fringe Benefits	14,900
Contractual Services	31,820
Supplies and Materials	106,548
Total Operating Cash Disbursements	216,695
Operating Income	253,158
<b>Non-Operating Cash Receipts:</b>	
Income Tax	34,597
<b>Non-Operating Cash Disbursements:</b>	
Capital Outlay	(5,770)
Redemption of Principal	(212,941)
Interest and Other Fiscal Charges	(40,548)
Total Non-Operating Cash Disbursements	(259,259)
Excess of Receipts Over Disbursements Before Interfund Transfers	28,496
Transfers-In	4,000
Net Receipts Over Disbursements	32,496
Fund Cash Balances, January 1	(25,120)
<b>Fund Cash Balances, December 31</b>	<b>\$7,376</b>

*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, 2010 AND 2009**

**1. Summary of Significant Accounting Policies**

**A. Description of the Entity**

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

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

**B. Accounting Basis**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

**C. Deposits and Investments**

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

**D. Fund Accounting**

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

**1. General Fund**

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

**2. Special Revenue Funds**

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

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

Permissive Motor Vehicle License Tax – This fund receives motor vehicle license tax monies for constructing, maintaining, and repairing Village Streets.

**VILLAGE OF EDON  
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009**

**1. Summary of Significant Accounting Policies (Continued)**

**3. Capital Project Funds**

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project fund:

Capital Projects Fund – This fund receives proceeds from the Village's Income tax revenues. The proceeds are used for the repair and maintenance of the Village streets or purchase Village property (i.e. Buildings, equipment for safety, street, water and sewer).

**4. Enterprise Funds**

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

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

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

**E. Budgetary Process**

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

**1. Appropriations**

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

**3. Encumbrances**

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

A summary of 2010 and 2009 budgetary activity appears in Note 3.

**VILLAGE OF EDON  
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009**

**1. Summary of Significant Accounting Policies (Continued)**

**F. Property, Plant, and Equipment**

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

**G. Accumulated Leave**

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

**2. Equity in Pooled Deposits**

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

	2010	2009
Demand deposits	\$241,159	\$202,347

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

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2010 and 2009 follows:

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$373,136	\$404,800	\$31,664
Special Revenue	49,200	49,771	571
Capital Projects	30,000	28,027	(1,973)
Enterprise	522,000	523,956	1,956
Total	\$974,336	\$1,006,554	\$32,218

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$427,659	\$353,805	\$73,854
Special Revenue	67,853	47,420	20,433
Capital Projects	148,003	55,227	92,776
Enterprise	528,750	511,578	17,172
Total	\$1,172,265	\$968,030	\$204,235

**VILLAGE OF EDON  
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009**

**3. Budgetary Activity (Continued)**

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$373,487	\$372,102	(\$1,385)
Special Revenue	69,050	68,628	(422)
Capital Projects	34,615	30,114	(4,501)
Enterprise	520,000	508,450	(11,550)
Total	\$997,152	\$979,294	(\$17,858)

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$431,038	\$367,799	\$63,239
Special Revenue	89,059	70,083	18,976
Capital Projects	152,745	33,801	118,944
Enterprise	494,519	475,954	18,565
Total	\$1,167,361	\$947,637	\$219,724

**4. Property Tax**

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

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

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

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

**5. Local Income Tax**

The Village levies a municipal income tax of 1.5 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

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



**VILLAGE OF EDON  
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009**

**6. Debt**

Debt outstanding at December 31, 2010 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan	\$621,183	5%
Ohio Public Works Commission Loan	156,849	0%
Edon State Bank Loan	345,111	4.75%
Total	\$1,123,143	

The Ohio Water Development Authority (OWDA) loans relate to the improvements made to the Village's water and sewer plant which 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 Village will repay the loans in semiannual installments, over 20 years from water and sewer revenues. The scheduled payment amount is based on a principal balance of \$3,226,354. The OWDA will adjust scheduled payment to reflect any revisions in amounts the Village actually borrows. Water and sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements. Contrary to this agreement, revenues generated from sewer charges were not adequate to provide for payments of its debt obligations to OWDA.

The Ohio Public Works Commission (OPWC) loans relate to the improvements made to the Michigan Street Waterline project and a sewer extension project. The loans do not carry an interest charge and will be repaid in semiannual installments over twenty years from the water and sewer funds. The original principal balance of the loans was \$250,540.

On December 17, 2004, the Village obtained a loan from Edon State Bank for \$436,000 to help consolidate a prior loan to repay an Ohio Water Development Authority (OWDA) loan used to prepare the plans and specifications for a Village water project; a loan to fund construction of a new water tower; and a loan to acquire the property the water tower is located on. The loan is unreserved but water revenues and/or income tax revenues have been pledged to repay this loan. The loan will be repaid in quarterly installments over twenty years from water revenues.

On June 29, 2009, the Village made the final payment of \$8,445 on a lease with the Ford Motor Credit Company to purchase a 2008 Ford Crown Victoria Police Sedan.

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

	OWDA Loan	OPWC Loan	Edon State Bank Loan
Year ending December 31:			
2011	\$ 184,240	\$20,748	\$33,897
2012	184,240	20,748	33,897
2013	184,240	20,748	33,897
2014	96,258	20,748	33,897
2015		20,748	33,897
2016-2024		53,109	305,071
Total	\$648,978	\$156,849	\$474,556

**VILLAGE OF EDON  
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009**

**7. Retirement Systems**

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

The Ohio Revised Code also prescribes contribution rates. For 2010 and 2009 OP&F participants contributed 10% of their wages. For 2010 and 2009, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2010 and 2009, OPERS members contributed 10%, respectively, of their gross salaries and the Village contributed an amount equaling 14%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2010.

**8. Risk Management**

**Commercial Insurance**

The Village has obtained commercial insurance for the following risks:

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



# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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

To the Village Council:

We have audited the financial statements of the Village of Edon, Williams County, (the Village) as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated March 18, 2011 wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted the Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and timely corrected.

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Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

### **Compliance and Other Matters**

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2010-001.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated March 18, 2011.

The Village's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Village's response and, accordingly, we express no opinion on it.

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



**Dave Yost**  
Auditor of State

March 18, 2011

VILLAGE OF EDON  
WILLIAMS COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2010 AND 2009

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

FINDING NUMBER 2010-001

**Noncompliance Citation**

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

Operating Income of \$165,716 and \$176,821 generated in 2010 and 2009, respectively, from sewer charges were not adequate to provide for payments required to remit the Village's debt obligations of \$186,263 for 2010 and \$188,285 for 2009 to OWDA. As a result, the Village has had to allocate a portion of its income tax revenues to the Sewer fund to help subsidize its debt obligations.

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

**Officials' Response:**

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

**VILLAGE OF EDON  
WILLIAMS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2010 AND 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2008-001	ORC § 5705.10(H) money paid into a fund is only used for what is has been established.	Yes	
2008-002	OWDA Cooperative Agreement for State Planning Projects § 3.2(a) Charging adequate rates to provide for the payment of debt obligations.	No	Reissued as Finding 2010-001 in this reported
2008-003	ORC § 5705.40 Appropriation measurers may be amended or supplemented & ORC § 5705.41(B) no expenditures shall be made unless it's properly appropriated.	Yes	



# Dave Yost • Auditor of State

VILLAGE OF EDON

WILLIAMS COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
APRIL 5, 2011