



**Auditor of State  
Betty Montgomery**



VILLAGE OF EDGERTON  
WILLIAMS COUNTY

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Village of Edgerton  
Williams County  
103 South Michigan Avenue  
P.O. Box 609  
Edgerton, Ohio 43517-0609

To the Village Council:

We have audited the accompanying financial statements of the Village of Edgerton, Williams County, Ohio (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 described 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 and reserves for encumbrances of the Village of Edgerton, Williams County 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 February 25, 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.

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

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

**Betty Montgomery**  
Auditor of State

February 25, 2003

**VILLAGE OF EDGERTON  
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>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property Tax and Other Local Taxes	\$562,004	\$94,761	\$188,927	\$845,692
Intergovernmental Receipts	101,899	74,961	89,233	266,093
Charges for Services	22,986			22,986
Fines, Licenses, and Permits	14,665	700		15,365
Earnings on Investments	52,323	3,466		55,789
Miscellaneous	9,862	4,477	12,274	26,613
	<u>763,739</u>	<u>178,365</u>	<u>290,434</u>	<u>1,232,538</u>
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	333,697	5,618		339,315
Public Health Services	10,320			10,320
Leisure Time Activities	65,554			65,554
Community Environment		20,000		20,000
Transportation	91,916	95,513		187,429
General Government	199,497		16,030	215,527
Capital Outlay			386,232	386,232
	<u>700,984</u>	<u>121,131</u>	<u>402,262</u>	<u>1,224,377</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>62,755</u>	<u>57,234</u>	<u>(111,828)</u>	<u>8,161</u>
<b>Other Financing Receipts/(Disbursements):</b>				
Transfers-Out	(185,261)			(185,261)
Other Financing Sources	24,250		482	24,732
Other Financing Uses	(7,645)	(2,000)		(9,645)
	<u>(168,656)</u>	<u>(2,000)</u>	<u>482</u>	<u>(170,174)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(105,901)	55,234	(111,346)	(162,013)
Fund Cash Balances, January 1	<u>217,340</u>	<u>306,490</u>	<u>240,894</u>	<u>764,724</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$111,439</u></b>	<b><u>\$361,724</u></b>	<b><u>\$129,548</u></b>	<b><u>\$602,711</u></b>
Reserves for Encumbrances, December 31	<u>\$396</u>		<u>\$32,937</u>	<u>\$33,333</u>

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

**VILLAGE OF EDGERTON  
WILLIAMS COUNTY**

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

	<b>Proprietary Fund Type</b>
	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$2,457,270
Miscellaneous	19,832
	2,477,102
Total Operating Cash Receipts	2,477,102
<b>Operating Cash Disbursements:</b>	
Personal Services	447,808
Contractual Services	1,532,822
Supplies and Materials	498,642
Capital Outlay	503,299
	2,982,571
Total Operating Cash Disbursements	2,982,571
Operating Loss	(505,469)
<b>Non-Operating Cash Receipts:</b>	
Other Non-Operating Receipts	9,840
	9,840
Total Non-Operating Cash Receipts	9,840
<b>Non-Operating Cash Disbursements:</b>	
Debt Service	110,583
Other Non-Operating Cash Disbursements	53,692
	164,275
Total Non-Operating Cash Disbursements	164,275
Excess of Receipts Under Disbursements Before Interfund Transfers	(659,904)
Transfers-In	185,261
Net Receipts Under Disbursements	(474,643)
Fund Cash Balances, January 1	1,936,072
<b>Fund Cash Balances, December 31</b>	<b>\$1,461,429</b>
Reserve for Encumbrances, December 31	\$172,496

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

**VILLAGE OF EDGERTON  
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>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property Tax and Other Local Taxes	\$540,885	\$46,574	\$195,109	\$782,568
Intergovernmental Receipts	158,111	75,495	32,201	265,807
Charges for Services	28,143			28,143
Fines, Licenses, and Permits	6,465	332		6,797
Earnings on Investments	152,655	7,340		159,995
Miscellaneous	11,909	6,779		18,688
<b>Total Cash Receipts</b>	<b>898,168</b>	<b>136,520</b>	<b>227,310</b>	<b>1,261,998</b>
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	340,434	4,590		345,024
Public Health Services	9,079			9,079
Leisure Time Activities	74,690			74,690
Transportation	105,210	66,482		171,692
General Government	184,898		19,038	203,936
Capital Outlay	33,588		358,983	392,571
<b>Total Cash Disbursements</b>	<b>747,899</b>	<b>71,072</b>	<b>378,021</b>	<b>1,196,992</b>
<b>Total Cash Receipts Over/(Under) Cash Disbursements</b>	<b>150,269</b>	<b>65,448</b>	<b>(150,711)</b>	<b>65,006</b>
<b>Other Financing Receipts/(Disbursements):</b>				
Sale of Fixed Assets			99,500	99,500
Transfers-In			164,000	164,000
Transfers-Out	(152,010)	(164,000)		(316,010)
Other Financing Sources	36,935			36,935
Other Financing Uses	(11,988)	(2,000)		(13,988)
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>(127,063)</b>	<b>(166,000)</b>	<b>263,500</b>	<b>(29,563)</b>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	23,206	(100,552)	112,789	35,443
Fund Cash Balances, January 1	194,134	407,042	128,105	729,281
<b>Fund Cash Balances, December 31</b>	<b>\$217,340</b>	<b>\$306,490</b>	<b>\$240,894</b>	<b>\$764,724</b>
Reserves for Encumbrances, December 31				

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

**VILLAGE OF EDGERTON  
WILLIAMS COUNTY**

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

	<b>Proprietary Fund Type</b>
	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$2,422,505
Miscellaneous	29,843
	2,452,348
Total Operating Cash Receipts	2,452,348
<b>Operating Cash Disbursements:</b>	
Personal Services	412,323
Contractual Services	1,551,094
Supplies and Materials	401,872
Capital Outlay	1,218,840
	3,584,129
Total Operating Cash Disbursements	3,584,129
Operating Loss	(1,131,781)
<b>Non-Operating Cash Receipts:</b>	
Other Non-Operating Receipts	26,347
	26,347
Total Non-Operating Cash Receipts	26,347
<b>Non-Operating Cash Disbursements:</b>	
Debt Service	170,483
Other Non-Operating Cash Disbursements	40,885
	211,368
Total Non-Operating Cash Disbursements	211,368
Excess of Receipts Under Disbursements Before Interfund Transfers	(1,316,802)
Transfers-In	152,010
Net Receipts Under Disbursements	(1,164,792)
Fund Cash Balances, January 1	3,100,864
<b>Fund Cash Balances, December 31</b>	<b>\$1,936,072</b>
Reserve for Encumbrances, December 31	

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

**VILLAGE OF EDGERTON  
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 Edgerton, Williams 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 electric, water, and sewer utilities, park operations (leisure time activities), maintenance of streets, and police and fire protection, 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**

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.

*Revolving Loan Fund* - This fund receives loan payments from businesses which previously borrowed money from the Revolving Loan Fund.

**VILLAGE OF EDGERTON  
WILLIAMS COUNTY**

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

*Permissive Tax Fund* - This fund receives motor vehicle tax money for constructing, maintaining and repairing Village streets.

**4. 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 Improvement Fund* - This fund receives proceeds from an income tax levy which are used to acquire property and equipment and to construct capital improvements.

*Infrastructure Fund* – The Village receives grants from the State of Ohio to repair and maintain Village storm sewers.

**5. 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:

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

*Electric Substation OMEGA JV2 Fund* – This fund is being used to account for the construction and debt related to the electric substation.

**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. Unencumbered appropriations lapse at year end.

**2. Estimated Resources**

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

**VILLAGE OF EDGERTON  
WILLIAMS COUNTY**

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

**3. Encumbrances**

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

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

**F. Property, Plant and Equipment**

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

**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**

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

	2002	2001
Demand deposits	\$134,040	\$370,696
Certificates of deposit	1,930,000	2,330,000
Total deposits	2,064,040	2,700,696
Cash on hand	100	100
Total deposits and cash on hand	\$2,064,140	\$2,700,796

Deposits are either (1) insured by the Federal Depository Insurance Corporation, (2) collateralized by securities specifically pledged by the financial institution to the Village, or (3) collateralized by the financial institution's public entity deposit pool.

**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	\$800,000	\$787,989	(\$12,011)
Special Revenue	182,350	178,365	(3,985)
Capital Projects	300,000	290,916	(9,084)
Enterprise	2,730,000	2,672,203	(57,797)
Total	\$4,012,350	\$3,929,473	(\$82,877)

**VILLAGE OF EDGERTON  
WILLIAMS COUNTY**

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

2002 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$845,102	\$894,286	(\$49,184)
Special Revenue	488,839	123,131	365,708
Capital Projects	275,000	435,199	(160,199)
Enterprise	4,188,650	3,319,342	869,308
Total	<u>\$5,797,591</u>	<u>\$4,771,958</u>	<u>\$1,025,633</u>

2001 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$775,000	\$935,103	\$160,103
Special Revenue	181,600	136,520	(45,080)
Capital Projects	310,000	490,810	180,810
Enterprise	2,695,500	2,630,705	(64,795)
Total	<u>\$3,962,100</u>	<u>\$4,193,138</u>	<u>\$231,038</u>

2001 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$950,000	\$911,897	\$38,103
Special Revenue	511,900	237,072	274,828
Capital Projects	474,000	378,021	95,979
Enterprise	5,447,900	3,795,497	1,652,403
Total	<u>\$7,383,800</u>	<u>\$5,322,487</u>	<u>\$2,061,313</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.

**VILLAGE OF EDGERTON  
WILLIAMS COUNTY**

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

**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 monthly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

**6. DEBT**

Debt outstanding at December 31, 2002 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Mortgage Revenue Bonds	\$827,000	5.00%
Electric System Improvement Loan	2,400,000	1.60%
Total	<u>\$3,227,000</u>	

The Mortgage Revenue Bonds relate to a sanitary sewer project. The bonds were issued by the Village on October 1, 1980, for an aggregate amount of \$1,330,000. The bonds will be paid in annual installments according to the principal and interest amounts listed in the bond amortization schedule until October 1, 2017. The scheduled payment amounts are listed below.

The Village entered into a loan agreement with American Municipal Power – Ohio, Inc. (AMP-Ohio) for the amount of \$2,400,000 for the purpose of financing the Village's share of the cost of participating in the Ohio Municipal Electric Generation Agency Joint Venture (OMEGA JV2) and making certain improvements to the Village's municipal electric system. The Village is to pay, but only from the revenues of its electric system, the loan made by AMP-Ohio together with interest thereon equal to the rate of interest on the Electric System Improvement Bond Anticipation Notes (the Notes) to be issued by AMP-Ohio in one or more series, or on notes issued to refund the Notes, or on the Electric System Improvement Bonds to be issued by AMP-Ohio in anticipation of which Bonds the Notes are issued.

On the maturity date of the Notes or refunding notes, the Village will pay to AMP-Ohio all interest due on the Notes or refunding notes plus an amount of principal equal to the amount of principal which would be due in the corresponding year on a loan in the original principal amount of such series, for a term of twenty (20) years, at the interest rate borne by such series of the Notes or refunding notes.

AMP-Ohio will use its best efforts to refinance any remaining principal of the Notes or refunding notes; provided, however, that if AMP-Ohio is unable to refinance the Notes or refunding notes, it shall give the Village thirty (30) days' notice of such inability, and the Village shall pay to AMP-Ohio all amounts necessary to retire the Notes or refunding notes at maturity.

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

**VILLAGE OF EDGERTON  
WILLIAMS COUNTY**

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

Year ending December 31:	Mortgage Revenue Bonds
2003	\$86,350
2004	79,450
2005	79,450
2006	79,350
2007	80,150
2008-2012	399,300
2013-2017	398,450
Total	\$1,202,500

**7. RETIREMENT SYSTEMS**

The Village's law enforcement officers and firefighters belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. OP&F and PERS 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% of their wages. The Village contributed an amount equal to 19.5% of their wages. PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 2002.

**8. RISK MANAGEMENT**

**Commercial Insurance**

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles;
- Inland marine;
- Crime;
- Public officials' liability; and
- Police professional liability.

The Village also provides health insurance and dental and vision coverage to full-time employees through a private carrier.

**9. COMPLIANCE**

- The Village did not certify all commitments required by Ohio law.
- Contrary to Ohio law, the Village's appropriations exceeded estimated resources in the Capital Improvement Fund by \$162,706 for the year ended December 31, 2001.

**VILLAGE OF EDGERTON  
WILLIAMS COUNTY**

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

- Contrary to Ohio law, legally adopted appropriations varied with the appropriation modifications posted in the Village's records in several funds in 2002 and 2001.
- Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the following funds for the year ended December 31, 2002:

Fund	Appropriation Authority	Budgetary Expenditures	Variance
General	\$845,102	\$894,286	(\$49,184)
Infrastructure Fund		101,507	(101,507)
Capital Improvement Fund	275,000	333,692	(58,692)
Water Fund	192,950	202,014	(9,064)
Sewer Debt Fund	79,900	85,950	(6,050)

- The Village did not apportion interest in the manner specified in the Ohio Revised Code.
- Contrary to Ohio law, one council member was paid as a volunteer fireman.

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**Auditor of State  
Betty Montgomery**

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

Village of Edgerton  
Williams County  
103 South Michigan Avenue  
P.O. Box 609  
Edgerton, Ohio 43517-0609

To the Village Council:

We have audited the financial statements of the Village of Edgerton, Williams County, Ohio (the Village) as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated February 25, 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 2002-30186-001, 2002-30186-002, 2002-30186-003, 2002-30186-004, and 2002-30186-005. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated February 25, 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 a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting

that, in our judgment, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 2002-30186-006.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated February 25, 2003.

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



**Betty Montgomery**  
Auditor of State

February 25, 2003

**VILLAGE OF EDGERTON  
WILLIAMS COUNTY**

SCHEDULE OF FINDINGS  
DECEMBER 31, 2002 AND 2001

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2002-30186-001**

**Finding for Recovery**

Ohio Revised Code § 731.12 states that no member of the legislative authority of a village shall hold any other public office, be interested in any contract with the village, or hold employment with said village, except that such member may be a notary public, a member of the state militia, or a volunteer fireman of said village, provided that member shall not receive any compensation for his services as a volunteer fireman of the village in addition to his regular compensation as a member of the legislative authority. Greg Jennings, Village Council Member, received compensation, for being a volunteer fireman and Safety Officer of the Fire Department, which was in addition to his regular compensation as a member of Council. In 2001, Mr. Jennings received \$1,287.00 and \$400.00, respectively, in compensation for his services as volunteer fireman and Safety Officer. In 2002, Mr. Jennings received \$998.66 and \$233.34, respectively, in compensation for his services as volunteer fireman and Safety Officer.

In accordance with the facts and pursuant to Ohio Revised Code § 117.28, a finding for recovery for public money illegally expended is hereby issued against Greg Jennings, Council Member, and Teresa Kurtz, Treasurer, and Mrs. Kurtz's bonding company, Ohio Farmers Insurance Company, jointly and severally, in favor of the General Fund in the total amount of \$2,919.

**FINDING NUMBER 2002-30186-002**

**Noncompliance Citation**

Ohio Revised Code § 5705.39 provides that appropriations from each fund should not exceed the estimated revenue available for expenditure from that fund as certified by the budget commission in the certificate of estimated resources. The Village approved appropriations of \$474,000 in the Capital Improvement Fund which exceeded estimated resources by \$162,706 in 2001.

The unfavorable variance was due to a lack of executing an amended certificate of estimated resources for this fund when the actual receipts exceeded the original expectations. Authorizing appropriations in excess of total available resources may result in deficit spending. The Village should make sure that adopted appropriations do not exceed the total estimated revenue available for expenditure from each fund to ensure compliance with this Revised Code provision.

We also reported this matter in our audit of the 2000 and 1999 financial statements.

**FINDING NUMBER 2002-30186-003**

**Noncompliance Citation**

Ohio Revised Code § 5705.40 provides that appropriations measures may be amended or supplemented as long as the entity complies with the same provisions of the law as are used in making the original appropriation. The legally adopted appropriations varied with the appropriation modifications posted by the Clerk-Treasurer in the following funds by the following amounts:

**FINDING NUMBER 2002-30186-003  
 (Continued)**

<u>Fiscal Year</u>	<u>Fund</u>	<u>Approved Appropriations</u>	<u>Posted Appropriations</u>	<u>Variance Overstated/ (Understated)</u>
2001	Revolving Loan Fund	\$300,000	\$464,000	\$164,000
2001	Capital Improvement Fund	474,000	310,000	(164,000)
2001	Water Fund	200,000	190,000	(10,000)
2002	General Fund	845,102	841,882	(3,220)
2002	Capital Improvement Fund	275,000	335,100	60,100
2002	Water Fund	192,950	201,950	9,000
2002	Sanitary Sewer Fund	151,400	150,725	(675)

This condition may result in a deficit spending situation. The Clerk-Treasurer should only make modifications to the expenditure ledger based on formally documented approval of Village Council.

**FINDING NUMBER 2002-30186-004**

**Noncompliance Citation**

Ohio Revised Code § 5705.41 (B) states that no subdivision or taxing unit is to expend money unless it has been appropriated. For 2002, the following funds were found to have expenditures which exceeded appropriations by the following amounts:

<u>Fund</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General Fund	\$845,102	\$894,286	(\$49,184)
Infrastructure Fund		101,507	(101,507)
Capital Improvement Fund	275,000	333,692	(58,692)
Water Fund	192,950	202,014	(9,064)
Sewer Debt Fund	79,900	85,950	(6,050)

Furthermore, expenditures exceeded appropriations in the respective funds at the legal level of control for thirty-eight percent of the expenditure transactions tested.

Allowing expenditures to exceed appropriations could result in deficit spending. The Village should regularly monitor budgets to make sure that there are sufficient appropriations to fund anticipated expenditures.

**FINDING NUMBER 2002-30186-005**

**Noncompliance Citation**

Ohio Revised Code § 5705.10 requires that all other interest earned must be credited to the general fund of the subdivision, except as provided in this Revised Code provision. Interest income in the following amounts was posted to the Electric Substation and Sewer Debt Funds, Enterprise Funds, that should have been credited to the General Fund:

**FINDING NUMBER 2002-30186-005  
 (Continued)**

Fund	2002 Interest	2001 Interest
Electric Substation Fund	\$20,727	\$65,536
Sewer Debt Fund	2,151	6,702

The financial statements have been adjusted to properly report this interest in the General Fund.

**FINDING NUMBER 2002-30186-006**

**Reportable Condition - Monitoring Controls**

Sound accounting practices require a segregation of duties where possible and increased monitoring control be used when segregation of duties is not feasible due to a small number of employees. This ensures that financial data is accurately presented and helps to ensure that resources are being efficiently and effectively utilized. A key aspect of this monitoring process is regular and thorough monitoring by management and a continuing adherence to the budget limits established by Village Council.

There was a lack of segregation of duties in the posting of income tax receipts, utilities receipts, and payroll transactions. Council's review of Village finances was limited to a manually prepared list of bills paid and an income tax revenue report. Reviews such as these do not allow Council to adequately monitor the financial condition of the Village. Lack of controls has resulted in errors occurring without timely detection by management.

We recommend that the following monitoring controls be implemented:

- Council should review monthly financial reports that include month-to-date and year-to-date receipt and disbursement totals, budget vs. actual receipts and disbursements at the legal level of control, and the balance in each individual fund. Reports such as these should be generated utilizing the Village's computerized accounting system. Council should use the reports as a tool to monitor the Village's financial situation and adapt budgets in anticipation of changing circumstances.
- Council should examine monthly bank reconciliation for the general and payroll accounts and a detailed list of outstanding checks. Council should occasionally compare information on the bank reconciliation to supporting documentation and review the outstanding check list for any unusual items.
- Council or the Administrator should review payroll reports to ensure employees are being paid the correct rate of pay and there are no unusual transactions.
- The Council or the Administrator should periodically review detailed revenue and expenditure reports to ensure transactions are being properly posted.
- The Clerk-Treasurer should review monthly reports for income tax collections and utility receipts and compare the collections to the deposits.

**VILLAGE OF EDGERTON  
WILLIAMS COUNTY**

SCHEDULE OF PRIOR AUDIT FINDINGS

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain:</b>
2000-30186-001	Ohio Revised Code § 5705.39, expenditures exceeded appropriations in eight funds in 1999.	No	Partially corrected and reissued as finding number 2002-30186-002.
2000-30186-002	Recommended the Council review monthly financial reports, budgetary reports, and bank reconciliations.	No	Not corrected and reissued as finding number 2002-30186-006.
2000-30186-003	Recommended that transactions be posted in a timely manner and bank reconciliations be performed promptly each month.	Yes	



**Auditor of State  
Betty Montgomery**

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**VILLAGE OF EDGERTON**

**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  
MARCH 20, 2003**