



Mary Taylor, CPA  
Auditor of State



VILLAGE OF EDGERTON  
WILLIAMS COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter .....	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2009.....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - Proprietary Fund Type - For the Year Ended December 31, 2009.....	6
Notes to the Financial Statements .....	7
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	21
Schedule of Findings.....	23
Schedule of Prior Audit Findings.....	27

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Mary Taylor, CPA  
Auditor of State

Village of Edgerton  
Williams County  
217 East River Street  
P.O. Box 609  
Edgerton, Ohio 43517-0609

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.

*Mary Taylor*

**Mary Taylor, CPA**  
Auditor of State

July 13, 2009

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Mary Taylor, CPA  
Auditor of State

**INDEPENDENT ACCOUNTANTS' REPORT**

Village of Edgerton  
Williams County  
217 East River Street  
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, (the Village) as of and for the year ended December 31, 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. 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 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

One Government Center / Suite 1420 / Toledo, OH 43604-2246  
Telephone: (419) 245-2811 (800) 443-9276 Fax: (419) 245-2484  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

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

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Edgerton, Williams County, as of December 31, 2009, and its combined cash receipts and disbursements for the year 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 July 13, 2009, 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.

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

**Mary Taylor, CPA**  
Auditor of State

July 13, 2009



**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, 2009**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
<b>Cash Receipts:</b>				
Property and Local Taxes	\$191,041	\$59,462		\$250,503
Municipal Income Tax	311,034		\$156,121	467,155
Intergovernmental	121,910	102,552		224,462
Loan Repayments		33,756		33,756
Charges for Services	49,610			49,610
Fines, Licenses and Permits	7,583	741		8,324
Earnings on Investments	38,752	6,072		44,824
Miscellaneous	1,063	1,633		2,696
	<u>720,993</u>	<u>204,216</u>	<u>156,121</u>	<u>1,081,330</u>
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	374,234	44,073		418,307
Public Health Services	19,743			19,743
Leisure Time Activities	30,056			30,056
Community Environment	6,969			6,969
Transportation	114,984	85,819		200,803
General Government	258,846	1,424	20,985	281,255
Capital Outlay	15,947		152,881	168,828
	<u>820,779</u>	<u>131,316</u>	<u>173,866</u>	<u>1,125,961</u>
Total Receipts Over/(Under) Disbursements	<u>(99,786)</u>	<u>72,900</u>	<u>(17,745)</u>	<u>(44,631)</u>
<b>Other Financing Receipts / (Disbursements):</b>				
Administrative Reimbursements	150,222			150,222
Transfers-Out	(90,331)			(90,331)
Other Financing Sources			30	30
	<u>59,891</u>		<u>30</u>	<u>59,921</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>(39,895)</u>	<u>72,900</u>	<u>(17,715)</u>	<u>15,290</u>
Fund Cash Balances, January 1	<u>95,321</u>	<u>230,943</u>	<u>200,519</u>	<u>526,783</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$55,426</u></b>	<b><u>\$303,843</u></b>	<b><u>\$182,804</u></b>	<b><u>\$542,073</u></b>

*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, 2009**

	<b>Proprietary Fund Type</b>
	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$3,047,350
Miscellaneous	38,485
	3,085,835
<b>Operating Cash Disbursements:</b>	
Personal Services	482,105
Contractual Services	2,077,379
Supplies and Materials	210,857
	2,770,341
Operating Income	315,494
<b>Non-Operating Cash Receipts:</b>	
Property and Other Local Taxes	6,252
Sale of Notes	601,000
Premium on Debt	1,140
Other Non-Operating Cash Receipts	9,580
	617,972
<b>Non-Operating Cash Disbursements:</b>	
Capital Outlay	36,918
Redemption of Principal	781,000
Interest and Other Fiscal Charges	79,244
Other Non-Operating Cash Disbursements	48,946
	946,108
Excess of Disbursements Over Receipts Before Interfund Transfers	(12,642)
Transfers-In	90,331
Net Receipts Over Disbursements	77,689
Fund Cash Balances, January 1	1,776,583
<b>Fund Cash Balances, December 31</b>	<b>\$1,854,272</b>

*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, 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 Edgerton, Williams County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides general governmental services, including electric, water and sewer utilities; park operations; street maintenance; police and fire protection; and general village maintenance.

The Village participates in four joint ventures and three long term purchase commitments. Notes 10, 11, 12, 13, and 14 to the financial statements provides additional information for these entities. These organizations are:

Joint Ventures:

Ohio Municipal Electric Generation Agency Joint Venture 2 (OMEGA JV2)  
Ohio Municipal Electric Generation Agency Joint Venture 4 (OMEGA JV4)  
Ohio Municipal Electric Generation Agency Joint Venture 5 (OMEGA JV5)  
Ohio Municipal Electric Generation Agency Joint Venture 6 (OMEGA JV6)

Long Term Purchase Commitments:

Prairie State Energy Campus (PSEC)  
American Municipal Power Generating Station (AMPGS)  
Combined Hydroelectric Projects

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.

The Village values certificates of deposit and repurchase agreements at cost.

**VILLAGE OF EDGERTON  
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009  
(Continued)**

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

**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 accounts for 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) 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 monies for constructing, maintaining, and repairing Village streets.

Fire Levy Fund – This fund receives property tax monies to help provide fire services to the community.

**3. Capital Project Funds**

These funds account for receipts restricted for acquiring or constructing 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 to acquire property and equipment and to construct capital improvements.

**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:

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

Electric Fund – This fund receives charges for services from residents to cover electric service costs.

**VILLAGE OF EDGERTON  
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009  
(Continued)**

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

**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 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. Appropriations lapse at year end.

**2. Estimated Resources**

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

**3. Encumbrances**

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled and reappropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law

A summary of 2009 budgetary activity appears in Note 3.

**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 and Investments**

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

**VILLAGE OF EDGERTON  
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009  
(Continued)**

	2009
Demand deposits	\$68,842
Certificates of deposit	1,330,000
Total deposits	1,398,842
Repurchase Agreements	997,503
Total Deposits and Investments	\$2,396,345

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Village.

**Investments:** The Village's financial institution transfers securities to the Village's agent to collateralize repurchase agreements. The securities are not in the Village's name. A financial institution's trust department holds the Village's equity securities in book entry form in the Village's name.

**3. Budgetary Activity**

Budgetary activity for the year ending December 31 follows:

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$820,000	\$871,215	\$51,215
Special Revenue	194,300	204,216	9,916
Capital Projects	140,000	156,151	16,151
Enterprise	3,814,000	3,794,138	(19,862)
Total	\$4,968,300	\$5,025,720	\$57,420

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$991,400	\$911,110	\$80,290
Special Revenue	282,000	131,316	150,684
Capital Projects	306,500	173,866	132,634
Enterprise	5,952,500	3,716,449	2,236,051
Total	\$7,532,400	\$4,932,741	\$2,599,659

Contrary to Ohio law the following occurred:

- The Village used \$8,500 from its Capital Improvement Fund to pay for the application of mosquito spray by helicopter.

**VILLAGE OF EDGERTON  
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009  
(Continued)**

**3. Budgetary Activity (Continued)**

- The actual amounts available for appropriations were less than the amounts estimated in the official certificate in the UDAG fund by \$3,317, Permissive Tax fund by \$760 and Sanitary Sewer fund by \$73,331.
- Appropriations exceeded estimated resources in the General fund by \$76,079, Fire levy fund by \$13,291, Electric fund by \$531,870 and Recycling fund by \$5,770.

**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 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.

**6. Long Term Debt**

Debt outstanding at December 31, 2009 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Electric System Improvement Loan	\$1,360,000	2.75%
Real Estate Purchase Agreement	240,000	0.00%
Total	<u>\$1,600,000</u>	

The Village entered into a loan agreement with American Municipal Power, Inc. (AMP) 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

**VILLAGE OF EDGERTON  
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009  
(Continued)**

**6. Long Term Debt (Continued)**

revenues of its electric system, the loan made by AMP 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 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 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 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 will use its best efforts to refinance any remaining principal of the Notes or refunding notes; provided, however, that if AMP 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 all amounts necessary to retire the Notes or refunding notes at maturity.

The Village entered into a real estate purchase agreement on November 24, 2009 with the Edgerton Local School District (the District) in the amount of \$250,000. The property being purchased is a portion of the current elementary school and will house the future Village offices. Per the agreement, the Village has made a down payment of \$10,000, will pay the District \$90,000 at closing which shall be no later than November 11, 2012. The Village will then remit a payment of \$15,000 annually upon the anniversary date of the closing for a period of ten years.

**7. Short Term Debt**

The Village's short-term obligation at December 31, 2009 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Sanitary Sewer Refunding Bond Anticipation Notes, Series 2009	<u>\$601,000</u>	3.00%

The refunding bond anticipation notes were issued for purpose of paying the cost of refunding mortgage revenue bonds originally issued to construct a municipal sanitary sewage collection, treatment and disposal system by constructing interceptor sewers, trunk sewers, lateral sewers, force mains, pumping stations, service connections, and a wastewater treatment facility. The notes are backed by the full faith and credit of the Village of Edgerton. Notes mature on January 29, 2010.

**8. 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.



**VILLAGE OF EDGERTON  
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009  
(Continued)**

**8. Retirement Systems (Continued)**

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

**9. Risk Management**

**Commercial Insurance**

The Village has obtained commercial insurance for the following risks:

- Commercial Property;
- General Liability;
- Government Crime;
- Commercial Inland Marine;
- Commercial Auto;
- Commercial Umbrella;
- Linebacker Public Officials and Employment Practices Liability; and
- Law Enforcement Liability

**10. OMEGA JV2**

The Village is a Non-Financing Participant and an Owner Participant with an ownership percentage of 1.09 percent and shares participation with 35 other subdivisions within the State of Ohio in the Ohio Municipal Electric Generation Agency Joint Venture (OMEGA JV2). Owner Participants own undivided interests, as tenants in common, in the OMEGA JV2 Project in the amount of their respective Project Shares. Purchaser Participants agree to purchase the output associated with their respective Project shares, ownership of which is held in trust for such Purchaser Participants.

Pursuant to the OMEGA JV2 Agreement, the participants jointly undertook as either Financing Participants or Non-Financing Participants and as either Owner Participants or Purchaser Participants, the acquisition, construction, and equipping of OMEGA JV2, including such portions of OMEGA JV2 as have been acquired, constructed or equipped by AMP and to pay or incur the costs of the same in accordance with the JV2 Agreement.

OMEGA JV2 was created to provide additional sources of reliable, reasonably priced electric power and energy when prices are high or during times of generation shortages or transmission constraints, and to improve the reliability and economic status of the participants' respective municipal electric utility system. The Project consists of 138.65 MW of distributed generation of which 134.081 MW is the participants' entitlement and 4.569 MW are held in reserve. On dissolution of OMEGA JV2, the net assets will be shared by the participants on a percentage of ownership basis. OMEGA JV2 is managed by AMP, which acts as the joint venture's agent. During 2001, AMP issued \$50,260,000 of 20 year fixed rate bonds on behalf of the Financing Participants of OMEGA JV2. The net proceeds of the bond issue of \$45,904,712 were contributed to OMEGA JV2. The Village's net investment in OMEGA JV2 was \$375,455 at December 31, 2009. Complete financial statements for OMEGA JV2 may be obtained from AMP or from the State Auditor's website at [www.auditor.state.oh.us](http://www.auditor.state.oh.us).

**VILLAGE OF EDGERTON  
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009  
(Continued)**

**10. OMEGA JV2 (Continued)**

The thirty-six participating subdivisions and their respective ownership shares at December 31, 2009:

<u>Municipality</u>	<u>Percent Ownership</u>	<u>KW Entitlement</u>	<u>Municipality</u>	<u>Percent Ownership</u>	<u>KW Entitlement</u>
Hamilton	23.87%	32,000	Grafton	0.79%	1,056
Bowling Green	14.32%	19,198	Brewster	0.75%	1,000
Niles	11.49%	15,400	Monroeville	0.57%	764
Cuyahoga Falls	7.46%	10,000	Milan	0.55%	737
Wadsworth	5.81%	7,784	Oak Harbor	0.55%	737
Painesville	5.22%	7,000	Elmore	0.27%	364
Dover	5.22%	7,000	Jackson Center	0.22%	300
Galion	4.29%	5,753	Napoleon	0.20%	264
Amherst	3.73%	5,000	Lodi	0.16%	218
St. Mary's	2.98%	4,000	Genoa	0.15%	199
Montpelier	2.98%	4,000	Pemberville	0.15%	197
Shelby	1.89%	2,536	Lucas	0.12%	161
Versailles	1.24%	1,660	South Vienna	0.09%	123
Edgerton	1.09%	1,460	Bradner	0.09%	119
Yellow Springs	1.05%	1,408	Woodville	0.06%	81
Oberlin	0.91%	1,217	Haskins	0.05%	73
Pioneer	0.86%	1,158	Arcanum	0.03%	44
Seville	0.79%	1,066	Custar	0.00%	4
	<u>95.20%</u>	<u>127,640</u>		<u>4.80%</u>	<u>6,441</u>
			Grand Total	<u>100.00%</u>	<u>134,081</u>

**11. OMEGA JV4**

The Village is a participant, with three other subdivisions within the State of Ohio, in a joint venture to oversee construction and operation of a 69 kilowatt transmission line in Williams County, the Ohio Municipal Electric Generation Agency Joint Venture (JV4). JV4 is managed by AMP, who acts as the joint venture's agent. The participants are obligated, by agreement, to remit on a monthly basis those costs incurred from using electric generated by the joint venture. JV4 does not have any debt outstanding. In the event of a shortfall, the Joint Venture participants are billed for their respective shares of the estimated shortfall.

On an audited basis, the Village's net investment to date in OMEGA JV4 was \$64,231 at December 31, 2009. Complete financial statements for OMEGA JV4 may be obtained from AMP or from the State Auditor's website at [www.auditor.state.oh.us](http://www.auditor.state.oh.us).

**VILLAGE OF EDGERTON  
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009  
(Continued)**

**12. OMEGA JV5**

The Village is a Financing Participant with an ownership percentage of 0.92 percent, and shares participation with 41 other subdivisions within the State of Ohio in the Ohio Municipal Electric Generation Agency Joint Venture 5 (OMEGA JV5). Financing Participants own undivided interests, as tenants in common, without right of partition in the OMEGA JV5 Project.

Pursuant to the OMEGA Joint Venture JV5 Agreement (Agreement), the participants jointly undertook as Financing Participants, the acquisition, construction, and equipping of OMEGA JV5, including such portions of OMEGA JV5 as have been acquired, constructed or equipped by AMP.

OMEGA JV5 was created to construct a 42 Megawatt (MW) run-of-the-river hydroelectric plant (including 40 MW of backup generation) and associated transmission facilities (on the Ohio River near the Bellville, West Virginia Locks and Dam) and sells electricity from its operations to OMEGA JV5 Participants.

Pursuant to the Agreement each participant has an obligation to pay its share of debt service on the Beneficial Interest Certificates (Certificates) from the revenues of its electric system, subject only to the prior payment of Operating & Maintenance Expenses (O&M) of each participant's System, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes or other indebtedness payable from any revenues of the System. On dissolution of OMEGA JV5, the net assets will be shared by the financing participants on a percentage of ownership basis. Under the terms of the Agreement each participant is to fix, charge and collect rates, fees and charges at least sufficient in order to maintain a debt coverage ratio equal to 110 percent of the sum of OMEGA JV5 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2009, the Village has met their debt coverage obligation.

The Agreement provides that the failure of any JV5 participant to make any payment due by the due date thereof constitutes a default. In the event of a default, OMEGA JV5 may take certain actions including the termination of a defaulting JV5 Participant's entitlement to Project Power. Each Participant may purchase a pro rata share of the defaulting JV5 Participant's entitlement to Project Power, which together with the share of the other non-defaulting JV5 Participants, is equal to the defaulting JV5 Participant's ownership share of the Project, in kilowatts ("Step Up Power") provided that the sum of any such increases shall not exceed, without consent of the non-defaulting JV5 Participant, an accumulated maximum kilowatts equal to 25 percent of such non-defaulting JV5 Participant's ownership share of the project prior to any such increases.

OMEGA JV5 is managed by AMP, which acts as the joint venture's agent. During 1993 and 2001 AMP issued \$153,415,000 and \$13,899,981 respectively of 30 year fixed rate Beneficial Interest Certificates (Certificates) on behalf of the Financing Participants of OMEGA JV5. The 2001 Certificates accrete to a value of \$56,125,000 on February 15, 2030. The net proceeds of the bond issues were used to construct the OMEGA JV5 Project. On February 17, 2004 the 1993 Certificates were refunded by issuing 2004 Beneficial Interest Refunding Certificates in the amount of \$116,910,000, which resulted in a savings to the membership of \$34,951,833 from the periods 2005 through 2024.

The Village's net investment to date in OMEGA JV5 was \$110,281 at December 31, 2009. Complete financial statements for OMEGA JV5 may be obtained from AMP or from the State Auditor's website at [www.auditor.state.oh.us](http://www.auditor.state.oh.us).

**VILLAGE OF EDGERTON  
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009  
(Continued)**

**13. OMEGA JV6**

The Village is a Financing Participant with an ownership percentage of 1.39 percent, and shares participation with nine other subdivisions within the State of Ohio in the Ohio Municipal Electric Generation Agency Joint Venture 6 (OMEGA JV6). Financing Participants, after consideration of the potential risks and benefits can choose to be Owner Participants or Purchaser Participants. Owner Participants own undivided interests, as tenants in common in the Project in the amount of its Project Share. Purchaser Participants purchase the Project Power associated with its Project Share.

Pursuant to the OMEGA Joint Venture JV6 Agreement (Agreement), the participants agree jointly to plan, acquire, construct, operate and maintain the Project, and hereby agree, to pay jointly for the electric power, energy and other services associated with the Project.

OMEGA JV6 was created to construct four (4) wind turbines near Bowling Green Ohio. Each turbine has a nominal capacity of 1.8 MW and sells electricity from its operations to OMEGA JV6 Participants.

Pursuant to the Agreement each participant has an obligation to pay its share of debt service on the Adjustable Rate Revenue Bonds (Bonds) from the revenues of its electric system, subject only to the prior payment of Operating & Maintenance Expenses (O&M) of each participant's System, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes or other indebtedness payable from any revenues of the System. On dissolution of OMEGA JV6, any excess funds shall be refunded to the Non-Financing Participants in proportion to each Participant's Project Share and to Financing Participant's respective obligations first by credit against the Financing Participant's respective obligations. Any other excess funds shall be paid to the Participants in proportion to their respective Project Shares. Under the terms of the Agreement each financing participant is to fix, charge and collect rates, fees, charges, including other available funds, at least sufficient in order to maintain a debt coverage ratio equal to 110 percent of the sum of OMEGA JV6 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2009, the Village has met their debt coverage obligation.

The Agreement provides that the failure of any JV6 participant to make any payment due by the due date constitutes a default. In the event of a default and one in which the defaulting Participant failed to cure its default as provided for in the Agreement, the remaining participants would acquire the defaulting Participant's interest in the project and assume responsibility for the associated payments on a pro rata basis up to a maximum amount equal to 25 percent of such non-defaulting Participant's Project share ("Step Up Power").

OMEGA JV6 is managed by American Municipal Power-Ohio, Inc., which acts as the joint venture's agent. On July 30, 2004 AMP issued \$9,861,000 adjustable rate bonds that mature on August 15, 2019. The interest rate on the bonds will be set every six months until maturity. No fixed amortization schedule exists. The net proceeds of the bond issues were used to construct the OMEGA JV6 Project.

On an unaudited basis, the Village's net investment to date in OMEGA JV6 was \$116,320 at December 31, 2009. Complete financial statements for OMEGA JV6 may be obtained from AMP or from the State Auditor's website at [www.auditor.state.oh.us](http://www.auditor.state.oh.us).

The 10 participating subdivisions and their respective ownership shares at December 31, 2009:

**VILLAGE OF EDGERTON  
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009  
(Continued)**

**13. OMEGA JV6 (Continued)**

Participant	KW Amount	% of Financing
Bowling Green	4,100	56.94%
Cuyahoga Falls	1,800	25.00%
Napoleon	300	4.17%
Oberlin	250	3.47%
Wadsworth	250	3.47%
Edgerton	100	1.39%
Elmore	100	1.39%
Montpelier	100	1.39%
Pioneer	100	1.39%
Monroeville	100	1.39%
	7,200	100.00%

**14. Long Term Purchase Commitments**

**A. Prairie State Energy Campus (PSEC)**

On December 20, 2007, AMP acquired an effective 23.26% undivided ownership interest (the "PSEC Ownership Interest") in the Prairie State Energy Campus, a planned 1,600 MW coal-fired power plant and associated facilities in southwest Illinois. The PSEC Ownership Interest is held by AMP 368 LLC, a single-member Delaware limited liability company ("AMP 368 LLC"). AMP is the owner of the sole membership interest in AMP 368 LLC. Construction of the PSEC commenced in October 2007.

On July 2, 2008, AMP issued \$760,655,000 Prairie State Energy Campus Revenue Bonds, Series 2008A (the "2008A Prairie State Bonds"). AMP used the proceeds of the 2008A Prairie State Bonds to refund a portion of the Initial CP allocable to the acquisition of the PSEC Ownership Interest and other PSEC expenditures, finance additional PSEC project costs, fund capitalized interest on the 2008A Prairie State Bonds for a period extending six months past the scheduled in-service dates of each unit of the PSEC and pay the costs of issuance.

On March 31, 2009, AMP issued \$166,565,000 aggregate principal amount of its Prairie State Energy Campus Project Revenue Bonds, Series 2009A (the "2009A Prairie State Bonds"), the net proceeds of which, after the funding of various reserves and a deposit to a capitalized interest account to pay interest on the 2009A Prairie State Bonds, were used to refund its \$120,000,000 of its Prairie State Project Revenue Bond Anticipation Notes, Series 2008, the proceeds of which were used to provide temporary financing for certain PSEC expenditures.

On October 15, 2009, AMP issued \$469,580,000 aggregate principal amount of its Prairie State Energy Campus Project Revenue Bonds, Series 2009B (Federally Taxable) and Series 2009C (Federally Taxable – Issuer Subsidy – Build America Bonds) (the "Series 2009B and C Prairie State Bonds" and, collectively with the 2008A Prairie State Bonds and 2009A Prairie State Bonds, the "Prairie State Bonds") to finance additional PSEC project costs, fund capitalized interest on the Series 2009B and C Prairie State Bonds for a period extending six

**VILLAGE OF EDGERTON  
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009  
(Continued)**

**14. Long Term Purchase Commitments (Continued)**

months past the scheduled in-service dates of each unit of the PSEC, fund deposits to a debt service reserve and pay the costs of issuance.

With the issuance of the Series 2009B and C Prairie State Bonds, AMP does not currently anticipate the need to issue additional bonds or notes to pay additional costs of the PSEC. As of October 1, 2009, AMP estimated that the total capital costs of placing its PSEC Ownership Interest into service to be approximately \$1.397 billion.

The Village has passed appropriate legislation and executed a power sales contract to participate in this project and has been allocated approximately 1.0 MW of the project.

**B. American Municipal Power Generating Station (AMPGS)**

On Tuesday November 24, 2009, the Participants of the AMPGS Project voted to terminate the pulverized coal project in Meigs County. This project was a 1000 MW base load, clean-coal technology plant scheduled to go online in 2014. This pulverized coal plant was estimated to be about a \$3 billion dollar project but the project's targeted capital costs increased by 37% and the engineer, procure and construct (EPC) contractor could not guarantee that the costs would not continue to escalate any higher.

AMP has been exploring the option of developing the project as a natural gas combined cycle facility supplemented with market purchases and pursue future enhancements for the project, such as biomass or another advanced energy technology.

A total of 81 AMP member communities in Ohio, Michigan, Virginia and West Virginia are participants in the project, which had been under development approximately six years as a pulverized coal facility with ammonia scrubbing emission control technology. To date, minimal construction of the AMPGS plant has taken place at the Meigs County site.

The likely conversion will allow AMP and its members the option of utilizing the current project site and benefiting from much of the development work performed thus far should that be the best option for participants. Project participants will have the option of securing needed replacement power from softened wholesale power markets.

The Village and 80 other members in Ohio, Michigan, Virginia and West Virginia signed "take or pay" contracts with AMP. This means that participants of the AMPGS Project are obligated to pay any costs incurred for the project at this time. To date it has not been determined what those total final costs are for the project participants. AMP does anticipate that any project costs that are not recovered as a part of a replacement project would be financed by AMP and recovered from the participating members over a period of years to be determined.

**C. Combined Hydroelectric Projects**

AMP is currently developing three hydroelectric projects, the Cannelton hydroelectric generating facility, the Smithland hydroelectric generating facility and the Willow Island hydroelectric generating facility (the "*Combined Hydroelectric Projects*"), all on the Ohio River, with an aggregate generating capacity of approximately 208 MW. Each of the Combined

**VILLAGE OF EDGERTON  
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009  
(Continued)**

**14. Long Term Purchase Commitments (Continued)**

Hydroelectric Projects entails the installation of run-of-the-river hydroelectric generating facilities on existing United States Army Corps of Engineers' dams and includes associated transmission facilities. The Combined Hydroelectric Projects, including associated transmission facilities, will be constructed and operated by AMP. AMP holds the licenses from FERC for the Combined Hydroelectric Projects. On May 4, 2009, AMP received the last of the material permits needed to begin construction on the Cannelton hydroelectric facility. AMP received the last material permit for the Smithland hydroelectric facility in the fall of 2009. AMP currently anticipates receipt of the last of the material permits for the Willow Island hydroelectric facility in the first or second quarter of 2010.

In addition to the award of the contract to manufacture the turbines and generators for the Combined Hydro Project to Voith Hydro, AMP has also let certain contracts, including contracts for the construction of the required cofferdam for the Cannelton facility and expects to award similar contracts for the Smithland facility in December 2009 and for the Willow Island facility in the first or second quarter of 2010.

To provide interim financing for the Combined Hydroelectric Projects pending the issuance of the Hydroelectric Bonds, AMP issued \$350,000,000 aggregate principal amount of its Hydroelectric Project Revenue Bond Anticipation Notes, Series 2009A (the "*Hydro BANs*") on April 16, 2009. The Hydro BANs were payable from (i) the proceeds of the Hydro BANs and (ii) payments to be received by AMP pursuant to the power sales contract between AMP and the Members participating in the Combined Hydroelectric Projects.

On December 9, 2009, AMP issued \$643,835,000 aggregate principal amount of its Combined Hydroelectric Projects Revenue Bonds, Series 2009A (Federally Taxable), Series 2009B (Federally Taxable – Issuer Subsidy – Build America Bonds) and Series 2009C (Tax-Exempt) (the "*Series 2009A-C Hydroelectric Bonds*") to finance, among other things, additional costs associated with the Cannelton facility and Smithland facility through December 2010 and to provide a portion of the funds required to currently refund the Hydro BANs in advance of their April 1, 2010 maturity date.

On December 2, 2009, AMP issued \$22,600,000 aggregate principal amount Combined Hydroelectric Projects Revenue Bonds, Series 2009D (Federally Taxable – Clean Renewable Energy Bonds) (the "*Series 2009D Hydroelectric Bonds*") and, collectively with the Series 2009A-C Hydroelectric Bonds, the "*Hydroelectric Bonds*") to provide a portion of the funds to currently refund the Hydro BANs.

The Hydroelectric Bonds are payable from amounts received by AMP under a take-or-pay power sales contract with 79 of its Members. In a feasibility report which accompanied the Official Statement relating to the Series 2009A-C Hydroelectric Bonds, the consulting engineer for the Combined Hydroelectric Projects projected that the total capital cost of the Combined Hydroelectric Projects to be \$1.52 billion, which total includes capitalized interest on all bonds issued to finance Combined Hydroelectric Bonds costs, capitalized interest through six months past the estimated commercial operation dates of the respective projects, deposits to a debt service reserve and costs of issuance.

**VILLAGE OF EDGERTON  
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009  
(Continued)**

**14. Long Term Purchase Commitments (Continued)**

The Village has passed appropriate legislation and executed a power sales contract to participate in this project and has been allocated 0.8 MW of this project.

**15. Segment Information for Enterprise Funds**

Included in the services provided by the Village financed primarily by user charges are refuse collection, water treatment and distribution, wastewater collection and treatment, electric utility services. The key financial information for the electric utility services the year ended December 31, 2009 is indicated below:

	Electric Fund	Electric Substation Fund	Other Enterprise Funds
As of December 31, 2009:			
Operating Cash Receipts	\$2,445,990		\$639,845
Debt Service	200,975		659,269
Capital Outlay	25,180		11,738
Operating Cash Disbursements	2,201,730	\$1,055	567,556
Fund Cash Balances at December 31, 2009	1,581,333	1,138	271,801
Operating Income / (Loss)	244,260	(1,055)	72,289
Net Cash Receipts Over (Under) Cash Disbursements	113,207	(1,055)	(34,463)

**16. Subsequent Events**

The bond anticipation notes (BAN) stipulated in Note 7 above were renewed in January 2010 for \$561,000. The BAN's will mature in January 2011.





**Mary Taylor, CPA**  
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 Edgerton  
Williams County  
217 East River Street  
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, (the Village) as of and for the year ended December 31, 2009, and have issued our report thereon dated July 13, 2009, wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

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 a combination of deficiencies, in internal

One Government Center / Suite 1420 / Toledo, OH 43604-2246  
Telephone: (419) 245-2811 (800) 443-9276 Fax: (419) 245-2484  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2009-001 and 2009-005 described in the accompanying schedule of findings to be material weaknesses.

#### **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 instances of noncompliance we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2009-001 through 2009-004.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated July 13, 2010.

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Village's responses and, accordingly, we express no opinion on them.

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



**Mary Taylor, CPA**  
Auditor of State

July 13, 2009

VILLAGE OF EDGERTON  
WILLIAMS COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2009

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

FINDING NUMBER 2009-001

**Noncompliance Citation – Material Weakness**

**Ohio Revised Code § 5705.10 (H)** requires that money paid into any fund shall be used only for the purposes for which such fund is established.

Section 181.98 of the Codified Ordinances of Edgerton, Ohio, requires thirty-five percent (35%) of the Village's income tax collections to be used for capital improvements for the Village and equipment necessary for the police, fire, street, traffic and safety departments.

The Village used \$8,500 from its Capital Improvement Fund to pay for the application of mosquito spray by helicopter.

Adjustments were recorded to the financial statements and the Village's accounting records to correct the allocation of this expenditure.

We recommend management record expenditures to the funds consistent with the purposes for which such funds were established.

**Official's Response:**

We did not receive a response from Officials to this finding.

FINDING NUMBER 2009-002

**Noncompliance Citation**

**Ohio Revised Code § 5705.36(A)(2)** states that upon a determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be greater or less than the amount included in an official certificate, the fiscal officer may certify the amount of the deficiency or excess to the commission, and if the commission determines that fiscal officer's certification is reasonable, the commission shall certify an amended certificate reflecting the deficiency or excess.

**Ohio Revised Code § 5705.36(A)(4)** states that upon a determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be less than the amount included in an official certificate and that the amount of the deficiency will reduce available resources below the level of current appropriations, the fiscal officer shall certify the amount of the deficiency to the commission, and the commission shall certify an amended certificate reflecting the deficiency.

Additionally, **Ohio Revised Code § 5705.39**, states in part that the total appropriations from each fund shall not exceed the total of the estimated revenues available for expenditures there from as certified by the budget commission, or in case of appeal, by the board of tax appeals. For purposes of this section of the Ohio Revised Code, estimated revenue is commonly referred to as "estimated resources" because it includes unencumbered fund balances.

The actual amounts available for appropriations were less than the amounts estimated in the official certificate in the following funds:

Fund	Estimated Resources	Actual Resources	Appropriations	- Variance - Actual Resources vs. Appropriations
UDAG	\$ 7,620	\$ 4,303	\$ 10,000	\$ (5,697)
Permissive Tax	2,702	1,942	20,000	(18,058)
Sanitary Sewer	906,035	832,704	932,500	(99,796)

The Clerk-Treasurer should have requested an amended certificate of estimated resources from the commission which would have reduced the estimated resources to the level of the actual resources available for appropriations. Appropriations in these funds should have also been reduced to the level of the actual resources available for appropriations.

We recommend that the Clerk-Treasurer compare actual resources with estimated resources during the year and make changes when necessary.

**Official's Response:**

We did not receive a response from Officials to this finding.

**FINDING NUMBER 2009-003**

**Noncompliance Citation**

**Ohio Revised Code § 5705.39** states that the total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure there from, as certified by the budget commission, or in case of appeal, by the board of tax appeals. For purposes of this section of the Ohio Revised Code, estimated revenue is commonly referred to as "estimated resources" because it includes unencumbered fund balances.

Appropriations exceeded estimated resources in the following funds in fiscal year 2009:

<u>Fund</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Difference</u>
General	\$915,321	\$991,400	\$76,079
Fire Levy	84,209	97,500	13,291
Electric	3,968,130	4,500,000	531,870
Recycling	39,230	45,000	5,770

Estimated resources should have been reduced to the level of the actual resources available for appropriation.

Allowing appropriations to remain higher than estimated resources increases the possibility appropriations may be unrealistically inflated which could result in deficit spending.

Management officials should monitor estimated resources and appropriations throughout the year and make the necessary modifications, with approval of Council, to avoid appropriations exceeding estimated resources and potential overspending.

**Official's Response:**

We did not receive a response from Officials to this finding.

## FINDING NUMBER 2009-004

### Noncompliance Citation

**Ohio Revised Code § 5705.41(D)(1)** states that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required for the order or contract has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. **"Then and Now" Certificate** – If the fiscal officer can certify both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of an appropriate fund free from any previous encumbrances, the Village Council can authorize the drawing of a warrant for the payment of the amount due. The Village Council has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village Council.

2. **Blanket Certificate** – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. **Super Blanket Certificate** – The Village Council may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification may, but need not, be limited to a specific vendor. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Sixty-two percent of transactions tested were not properly certified by the Clerk-Treasurer at the time the commitments were incurred. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend the Clerk-Treasurer certify the funds are or will be available prior to obligation by the Village. When prior certification is not possible, "then and now" certification should be used.

We recommend the Village certify purchases to which section 5705.41(D) of the Ohio Revised Code applies. The most convenient certification method is to use purchase orders that include the certification language that section 5705.41(D) of the Ohio Revised Code requires to authorize disbursements. The Clerk-Treasurer should sign the certification at the time the Village incurs a commitment, and only when the requirements of section 5705.41(D) of the Ohio Revised Code are satisfied. The Clerk-Treasurer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

**Official's Response:**

Management will attempt to implement procedures to monitor the certification process.

**FINDING NUMBER 2009-005**

**Material Weakness – Timely Posting of Transactions and Reconciling of Bank Accounts**

Strong accounting controls require receipt and disbursement transactions be posted to the Village's computer system as they occur. In addition, bank accounts should be accurately reconciled to book balances on a monthly basis. During 2009, the Village's computer postings and bank reconciliations were not performed on a timely basis

All 2009 transactions were posted and a bank reconciliation was completed as of December 31, 2009. This reconciliation indicated that book balances were greater than bank balances at December 31, 2009 by \$16,098. The client recorded the adjustments to its accounting records and financial statements for this difference.

Subsequent to our audit period, the practice of posting transactions and completing bank reconciliations has still not been implemented.

If the Village does not post transactions and reconcile its accounts on a timely basis, fund balances could either be overstated or understated. Reconciliations are an effective tool to help management determine the completeness of recorded transactions and verify that all recorded transactions have been properly posted to the bank and all transactions with the bank have been recorded on the Village's fiscal records and financial statements. Failure to post all transactions and to reconcile the Village's fiscal records to bank balances on a timely basis increases the risk of unauthorized or inaccurate transactions, undetected errors, and loss or misappropriation of funds occurring without timely detection.

In order to strengthen accountability over the Village's financial activity and reconciliation process, we recommend transactions be posted in a timely manner. The Clerk-Treasurer should investigate and correct any unknown variances before closing the current month's activities. Village Council should closely review and scrutinize monthly bank reconciliations. This review should be clearly documented in the Village's minute record as well as on the bank reconciliations.

**Officials' Response:**

Management does not disagree with this finding and acknowledges corrective procedures have been implemented regarding the reconciliations.

**VILLAGE OF EDGERTON  
WILLIAMS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 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 § 5705.41(D) – Improper certification of disbursements	No	Reissued as finding 2009-004 in this report.
2008-002	ORC § 135.21 – improper allocation of interest earnings	Yes	
2008-003	Material Weakness – Financial Reporting	Yes	
2008-004	Material Weakness - Timely Posting of Transactions and Reconciling of Bank Accounts	No	Reissued as finding 2009-005 in this report.







**Mary Taylor, CPA**  
Auditor of State

**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  
AUGUST 5, 2010**