



Mary Taylor, CPA  
Auditor of State



VILLAGE OF EDGERTON  
WILLIAMS COUNTY

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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

December 17, 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 years ended December 31, 2008 and 2007. 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 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.

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In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2008 and 2007 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, 2008 and 2007, or its changes in financial position or cash flows, where applicable for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Edgerton, Williams County, as of December 31, 2008 and 2007, 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 December 17, 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.



**Mary Taylor, CPA**  
Auditor of State

December 17, 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, 2008**

	<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 and Local Taxes	\$203,605	\$47,399		\$251,004
Municipal Income Tax	357,549		\$192,526	550,075
Intergovernmental	175,858	125,369		301,227
Charges for Services	36,204			36,204
Fines, Licenses and Permits	11,075	598		11,673
Earnings on Investments	64,907	7,809		72,716
Miscellaneous	6,845	34,330		41,175
<b>Total Cash Receipts</b>	<u>856,043</u>	<u>215,505</u>	<u>192,526</u>	<u>1,264,074</u>
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	403,785	61,472		465,257
Public Health Services	10,300			10,300
Leisure Time Activities	43,205			43,205
Community Environment	4,888	75,616		80,504
Transportation	105,228	115,547		220,775
General Government	257,054	1,569	23,031	281,654
Capital Outlay	14,922	45,500	231,272	291,694
<b>Total Cash Disbursements</b>	<u>839,382</u>	<u>299,704</u>	<u>254,303</u>	<u>1,393,389</u>
<b>Total Cash Receipts Over/(Under) Cash Disbursements</b>	<u>16,661</u>	<u>(84,199)</u>	<u>(61,777)</u>	<u>(129,315)</u>
<b>Other Financing Receipts / (Disbursements):</b>				
Transfers-Out	(102,930)			(102,930)
Other Financing Sources	113,658		2,298	115,956
Other Financing Uses		(3,000)		(3,000)
<b>Total Other Financing Receipts / (Disbursements)</b>	<u>10,728</u>	<u>(3,000)</u>	<u>2,298</u>	<u>10,026</u>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<u>27,389</u>	<u>(87,199)</u>	<u>(59,479)</u>	<u>(119,289)</u>
<b>Fund Cash Balances, January 1</b>	<u>67,932</u>	<u>318,142</u>	<u>259,998</u>	<u>646,072</u>
<b>Fund Cash Balances, December 31</b>	<u><u>\$95,321</u></u>	<u><u>\$230,943</u></u>	<u><u>\$200,519</u></u>	<u><u>\$526,783</u></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, 2008**

	<b>Proprietary Fund Type</b>
	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$2,970,924
Miscellaneous	65,817
	3,036,741
<b>Operating Cash Disbursements:</b>	
Personal Services	464,540
Contractual Services	1,808,873
Supplies and Materials	315,003
Capital Outlay	137,900
	2,726,316
Total Operating Cash Disbursements	2,726,316
Operating Income	310,425
<b>Non-Operating Cash Receipts:</b>	
Property and Other Local Taxes	6,394
Sale of Notes	641,000
Other Non-Operating Cash Receipts	48,600
	695,994
Total Non-Operating Cash Receipts	695,994
<b>Non-Operating Cash Disbursements:</b>	
Redemption of Principal	821,000
Interest and Other Fiscal Charges	97,342
Other Non-Operating Cash Disbursements	10,073
	928,415
Total Non-Operating Cash Disbursements	928,415
Excess of Cash Receipts Over Cash Disbursements Before Interfund Transfers	78,004
Transfers-In	102,930
Net Cash Receipts Over Cash Disbursements	180,934
Fund Cash Balances, January 1	1,595,649
<b>Fund Cash Balances, December 31</b>	<b>\$1,776,583</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  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<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 and Local Taxes	\$216,298	\$51,372		\$267,670
Municipal Income Tax	354,076		\$190,656	544,732
Intergovernmental	135,716	119,504		255,220
Charges for Services	14,022			14,022
Fines, Licenses and Permits	5,654	485		6,139
Earnings on Investments	89,201	12,411		101,612
Miscellaneous	4,335	5,661		9,996
	<u>819,302</u>	<u>189,433</u>	<u>190,656</u>	<u>1,199,391</u>
<b>Total Cash Receipts</b>				
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	327,158			327,158
Public Health Services	11,297			11,297
Leisure Time Activities	53,554			53,554
Transportation	116,854	73,140		189,994
General Government	220,635	1,420	23,583	245,638
Capital Outlay		30,870	173,081	203,951
	<u>729,498</u>	<u>105,430</u>	<u>196,664</u>	<u>1,031,592</u>
<b>Total Cash Disbursements</b>				
Total Cash Receipts Over/(Under) Cash Disbursements	<u>89,804</u>	<u>84,003</u>	<u>(6,008)</u>	<u>167,799</u>
<b>Other Financing Receipts / (Disbursements):</b>				
Transfers-Out	(115,666)			(115,666)
Other Financing Sources	42,700		375	43,075
Other Financing Uses		(3,502)		(3,502)
	<u>(72,966)</u>	<u>(3,502)</u>	<u>375</u>	<u>(76,093)</u>
<b>Total Other Financing Receipts / (Disbursements)</b>				
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	16,838	80,501	(5,633)	91,706
Fund Cash Balances, January 1	<u>51,094</u>	<u>237,641</u>	<u>265,631</u>	<u>554,366</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$67,932</b></u>	<u><b>\$318,142</b></u>	<u><b>\$259,998</b></u>	<u><b>\$646,072</b></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, 2007**

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$2,958,919
Miscellaneous	<u>62,149</u>
Total Operating Cash Receipts	<u>3,021,068</u>
<b>Operating Cash Disbursements:</b>	
Personal Services	444,910
Contractual Services	1,837,064
Supplies and Materials	167,039
Capital Outlay	<u>110,815</u>
Total Operating Cash Disbursements	<u>2,559,828</u>
Operating Income	<u>461,240</u>
<b>Non-Operating Cash Receipts:</b>	
Property and Other Local Taxes	6,991
Sale of Notes	681,000
Other Non-Operating Cash Receipts	<u>10,600</u>
Total Non-Operating Cash Receipts	<u>698,591</u>
<b>Non-Operating Cash Disbursements:</b>	
Redemption of Principal	861,000
Interest and Other Fiscal Charges	97,964
Other Non-Operating Cash Disbursements	<u>9,440</u>
Total Non-Operating Cash Disbursements	<u>968,404</u>
Excess of Cash Receipts Over Cash Disbursements Before Interfund Transfers	191,427
Transfers-In	<u>115,666</u>
Net Cash Receipts Over Cash Disbursements	307,093
Fund Cash Balances, January 1	<u>1,288,556</u>
<b>Fund Cash Balances, December 31</b>	<b><u><u>\$1,595,649</u></u></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, 2008 AND 2007**

**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 Project  
American Municipal Power Generating Station (AMPGS)  
Hydroelectric Project

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, 2008 AND 2007  
(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 money for constructing, maintaining, and repairing Village streets.

UDAG Loan Fund – This fund has Community Development Block Grant (CDBG) monies which are disbursed to local businesses to provide economic development for the community.

Fire Levy Fund – This fund receives 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 which are used 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.

**VILLAGE OF EDGERTON  
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

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

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

**E. Budgetary Process**

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

**1. Appropriations**

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

A summary of 2008 and 2007 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.

**VILLAGE OF EDGERTON  
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

**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:

	2008	2007
Demand deposits	(\$6,861)	\$68,526
Certificates of deposit	1,330,000	1,330,000
Total deposits	1,323,139	1,398,526
Investments: Repurchase Agreements	980,227	843,195
Total Deposits and Investments	\$2,303,366	\$2,241,721

**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 years ending December 31 follows:

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$836,747	\$969,701	\$132,954
Special Revenue	189,200	215,505	26,305
Capital Projects	200,000	194,824	(5,176)
Enterprise	3,814,000	3,835,665	21,665
Total	\$5,039,947	\$5,215,695	\$175,748

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$875,000	\$942,312	(\$67,312)
Special Revenue	351,000	302,704	48,296
Capital Projects	297,500	254,303	43,197
Enterprise	4,589,500	3,654,731	934,769
Total	\$6,113,000	\$5,154,050	\$958,950

**VILLAGE OF EDGERTON  
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

**3. Budgetary Activity – (Continued)**

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$859,502	\$862,002	\$2,500
Special Revenue	189,200	189,433	233
Capital Projects	190,000	191,031	1,031
Enterprise	3,814,000	3,835,325	21,325
Total	\$5,052,702	\$5,077,791	\$25,089

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$900,000	\$845,164	\$54,836
Special Revenue	194,000	108,932	85,068
Capital Projects	250,000	196,664	53,336
Enterprise	4,424,500	3,528,232	896,268
Total	\$5,768,500	\$4,678,992	\$1,089,508

**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.

**VILLAGE OF EDGERTON  
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

**6. Long Term Debt**

Debt outstanding at December 31, 2008 was as follows:

	Principal	Interest Rate
Electric System Improvement Loan	\$1,500,000	3.53%

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 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.

**7. Short Term Debt**

The Village's short-term obligation at December 31, 2008 was as follows:

	Principal	Interest Rate
Sanitary Sewer Refunding Bond Anticipation Notes, Series 2008	\$641,000	2.85%

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, 2009.

**VILLAGE OF EDGERTON  
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

**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.

The Ohio Revised Code also prescribes contribution rates. For 2008 and 2007, OP&F participants contributed 10% of their wages. For 2008 and 2007, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2008 and 2007, OPERS members contributed 10% and 9.5%, respectively, of their gross salaries and the Village contributed an amount equaling 14% and 13.85%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2008.

**9. Risk Management**

**Commercial Insurance**

The Village has obtained commercial insurance for the following risks:

- Commercial Property and General Liability;
- Crime and Fidelity
- Commercial Inland Marine;
- Commercial Auto; and
- Commercial Umbrella;
- Linebacker;
- Law Enforcement Coverage

**10. Joint Venture 2**

The Village of Edgerton is a Non-Financing Participant and an Owner Participant with an ownership percentage 1.09% and shares participation with thirty-five other subdivisions within the State of Ohio in the Ohio Municipal Electric Generation Agency (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.

**VILLAGE OF EDGERTON  
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

**10. Joint Venture 2 – (Continued)**

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 134.081MW is the participants' entitlement and 4.569MW 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 \$401,828 at December 31, 2008. 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).

The thirty-six participating subdivisions and their respective ownership shares at December 31, 2008 are:

<b>Municipality</b>	<b>Percent Ownership</b>	<b>Kw Entitlement</b>	<b>Municipality</b>	<b>Percent Ownership</b>	<b>Kw Entitlement</b>
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>
			<b>Grand Total</b>	<u>100.00%</u>	<u>134,081</u>

**VILLAGE OF EDGERTON  
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

**11. Joint Venture 4**

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 \$66,222 at December 31, 2008. 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).

**12. Joint Venture 5**

The Village of Edgerton is a Financing Participant with an ownership percentage of .92 %, and shares participation with forty-one 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-Ohio.

OMEGA JV5 was created to construct a 42 Megawatt (MW) run-of-the-river hydroelectric plant (including 40MW 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% of the sum of OMEGA JV5 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2008, Edgerton has met its debt coverage obligation.

**VILLAGE OF EDGERTON  
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

**12. Joint Venture 5 – (Continued)**

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% of such non-defaulting JV5 Participant's ownership share of the project prior to any such increases.

OMEGA JV5 is managed by AMP-Ohio, which acts as the joint venture's agent. During 1993 and 2001 AMP-Ohio 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 \$82,422 at December 31, 2008. Complete financial statements for OMEGA JV5 may be obtained from AMP-Ohio or from the State Auditor's website at [www.auditor.state.oh.us](http://www.auditor.state.oh.us).

**13. Joint Venture 6**

The Village of Edgerton is a Financing Participant with an ownership percentage of 1.39%, 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.

**VILLAGE OF EDGERTON  
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

**13. Joint Venture 6 – (Continued)**

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% of the sum of OMEGA JV6 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2008, Edgerton has met its 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% 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-Ohio issued \$9,861,000 adjustable rate bonds that mature on August 15, 2019. The net proceeds of the bond issues were used to construct the OMEGA JV6 Project.

The Village's net investment to date in OMEGA JV6 was \$122,555 at December 31, 2008. Complete financial statements for OMEGA JV6 may be obtained from AMP-Ohio 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, 2008 AND 2007  
(Continued)**

**13. Joint Venture 6 – (Continued)**

The ten participating subdivisions and their respective ownership shares at December 31, 2008 are:

<b>Participant</b>	<b>KW Amount</b>	<b>% of Financing</b>
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%
Total	7,200	100.00%

**14. Long Term Purchase Commitments**

**A. Prairie State Project**

The Prairie State Energy Campus (the “PSEC”) will consist of a supercritical, coal-fired, mine mouth generating facility intended to have a minimum net rated electric generating capacity of approximately 1,582 MW, related equipment and facilities and associated coal reserves. The PSEC Owners (as defined herein), including AMP, own the PSEC. The generating facilities are being constructed pursuant to a Target Price Engineering, Procurement and Construction Agreement with Bechtel Power Corporation. The generating units and the mining facilities are scheduled to be in commercial operation by December 2012.

AMP’s 23.26% Ownership Interest in the PSEC entitles AMP to approximately 368 MW of the capacity and output from the PSEC and a proportionate share of the adjacent coal reserves and mining facilities. The Village has passed appropriate legislation and executed a power sales contract to participate in this project and has been allocated approximately 1 MW of the project.

In addition to AMP’s Ownership Interest in the PSEC, other undivided interests therein are owned by the Kentucky Municipal Power Agency (“KMPA”); the Northern Illinois Municipal Power Agency (“NIMPA”); the Illinois Municipal Electric Agency (“IMEA”); the Indiana Municipal Power Agency (“IMPA”); Lively Grove Energy Partners, LLC (“Lively Grove Energy”), currently a wholly-owned indirect subsidiary of Peabody Energy; the Missouri Joint Municipal Electric Utility Commission (“MJMEUC”); and Prairie Power, Inc. (“PPI”) and the Southern Illinois Power Cooperative (“SIPC”), both not for profit electric generation and transmission cooperatives (collectively, and together with AMP 386 LLC, the “PSEC Owners”).

**VILLAGE OF EDGERTON  
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

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

<b>Owner</b>	<b>Ownership Interest</b>	
AMP	23.26	%
IMEA	15.17	
IMPA	12.64	
MJMEUC	12.33	
PPI	8.22	
SIPC	7.90	
KMPA	7.82	
NIMPA	7.60	
Lively Grove Energy	5.06	
Total	100.00	%

On January 22, 2008, AMP initiated a tax-exempt commercial paper (“CP”) program, with an authorized par amount of \$350 million, which is secured by a letter of credit issued under its Line of Credit. The CP was utilized to provide interim financing for the Prairie State Project. As of February 15, 2009, no portion of the authorized par amount of the CP Program was currently being used to fund any of the PSEC project costs. Currently, AMP does not expect to use the CP Program for future funding of the PSEC project costs. On February 12, 2009, AMP resolved to increase the authorized par amount of the CP Program to \$400 million.

On April 2, 2008, AMP issued its Prairie State Energy Campus Project Revenue Bond Anticipation Notes, Series 2008 due April 1, 2009, in the principal amount of \$120,000,000. The proceeds were issued to fund a portion of the AMP’s project costs.

AMP plans to use its Line of Credit to fund Project costs not eligible for tax-exempt financing. Once all such expenditures have been made, AMP expects to issue an estimated \$56 million principal amount of Taxable Bonds to repay its draw on the Line of Credit.

On July 2, 2008, AMP issued its Prairie State Energy Campus Project Revenue Bonds, Series 2008A, in the principal amount of \$760,655,000. The Bond proceeds will be used to (i) refund all or a portion of its Commercial Paper Bond Anticipated Notes;(ii) make a deposit to the 2008A Acquisition and Construction Account within the Acquisition and Construction Subfund under the Indenture to finance capital expenditures, costs and expenses associated with the PSEC; (iii) fund capitalized interest on the Series 2008 Bonds with respect to each of the PSEC units for a period extending six months beyond the respective, scheduled in-service dates for such Units of August 1, 2011, and May 1, 2012; (iv) fund deposit to the Parity Common Reserve Account for the Series 2008 Bonds; and (v) pay the costs of issuance of the Series 2008 Bonds. The Insured Series 2008 Bonds have been rated “Aaa” by Moody’s, “AAA” by Fitch and “AAA” by S&P with the understanding that the Policy will be issued by the insurer (Assured Guaranty). In addition, AMP received underlying ratings with respect to the Insured Series 2008 Bonds and ratings on the uninsured Series 2008 Bonds of “A1” by Moody’s, “A” by Fitch and “A” by S&P.

**VILLAGE OF EDGERTON  
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

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

On March 31, 2009, AMP issued its Prairie State Energy Campus Project Revenue Bonds, Series 2009A, in the principal amount of \$166,565,000. The Bond proceeds were issued to (i) pay at their maturity the principal and interest on AMP's Prairie State Bond Anticipation Notes, Series 2008; (ii) make a deposit to the 2009A Acquisition and Construction Account under the Indenture to finance capital expenditures, costs and expenses associated with the Prairie State Energy Campus; (iii) fund capitalized interest on the Series 2009A Bonds; (iv) fund a deposit to the Parity Common Reserve Account; and (v) pay the costs of issuance of the Series 2009A Bonds. The 2009A Bonds were insured by Assured Guaranty with a rating of "Aa2" by Moody's, "AAA" by Fitch and "AAA" by S&P. In addition, AMP received underlying ratings with respect to these Series 2009A Bonds of "A1" by Moody's, "A" by Fitch and "A" by S&P.

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

AMP is currently developing a twin unit, supercritical boiler, coal-fired, steam and electric generating facility having an aggregate net rated electric generating capacity of approximately 1000 MW, to be known as the American Municipal Power Generating Station ("AMPGS") in Meigs County, in southeastern Ohio on the Ohio River. AMP has options on the site and has engaged an independent engineering firm for owner engineer services in connection with its efforts to obtain and evaluate proposals from three potential engineer, procure, construct ("EPC") contractors for AMPGS. AMP is currently negotiating with one of those EPC contractors. To the extent that AMP's Members do not subscribe for the full capacity in the AMPGS, AMP expects to sell undivided ownership interests to unrelated parties. AMP has received an air permit from the Ohio Environmental Protection Agency for the AMPGS. That permit was appealed to the Ohio Environmental Review Appeals Commission in two separate appeals. One of those appeals has been dismissed and the other remains in litigation.

In addition, the Ohio Power Siting Board has issued a Certificate of Environmental Compatibility and Public Need for the AMPGS. Certain parties to that proceeding may appeal that Certificate to the Ohio Supreme Court. The appeal time ended June 27, 2008.

On November 3, 2008, the participating communities in the AMPGS project approved giving Limited Notice To Proceed (LNTP) to the EPC contractor on the project. Notice was provided following a full participants meeting in Columbus. The notification means the EPC contractor can start preliminary engineering and procurement of equipment related to the project. The EPC contractor can get started on preliminary work to keep the project moving forward. Permitting is proceeding along anticipated timelines.

As of January 1, 2009, AMP estimated the total cost of AMPGS, including capitalization of all interest expense prior to the commercial operation date in 2014, will be approximately \$3.94 billion dollars. Should AMP decide to permit unrelated parties to acquire an undivided ownership interest in AMPGS, its share of the expenses for a smaller ownership interest would be reduced proportionately.

The Village has passed appropriate legislation and executed a power sales contract to participate in this project and has been allocated 1 MW of this project.

**VILLAGE OF EDGERTON  
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

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

**C. 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 "Hydro Projects"), all on the Ohio River, with an aggregate generating capacity of approximately 208 MW. Each of the Hydro 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 Hydro Projects, including associated transmission facilities, will be constructed and operated by AMP. AMP has obtained or expects one of its Members to hold licenses from the Federal Energy Regulatory Commission (FERC) for the Hydro Projects.

As of the date hereof, AMP intends to own a 100% undivided ownership interest in the Hydro Projects. Under the terms of the power sales contract between AMP and 79 of its Members relating to the Hydro Projects, AMP may sell an up to 20% undivided ownership interest in the Hydro Projects.

AMP awarded Voith Siemens Hydro Power Generation a contract in June 2008 to manufacture the eight turbines and generators required for the Initial Projects. AMP has also let certain contracts, including contracts for the construction of the required cofferdams, for the Cannelton facility and expects to award similar contracts for the Smithland facility in the 3rd quarter of 2009 and for the Willow Island facility in the 4th quarter of 2009 when the permits required to commence construction of such facilities are received.

On April 15, 2009, AMP issued notes ("Hydroelectric Projects Revenue Bond Anticipation Notes, Series 2009A") to (i) refund all of its Commercial Paper Bond Anticipation Notes, Series 2008A, issued to finance a portion of the capital expenditures, costs and expenses associated with three hydroelectric facilities to be constructed on existing dams on the Ohio River and owned by AMP (the "Projects"), (ii) fund a portion of its additional costs of constructing and placing the Projects into service, and (iii) pay costs of issuance of the Notes.

AMP intends to refund the Notes and to finance costs associated with one or more of the Hydro Projects by issuing long term bonds ("*Hydroelectric Bonds*"). The Hydroelectric Bonds will be payable from amounts received by AMP under a take-or-pay power sales contract with 79 of its members. In a feasibility report prepared for AMP in February 2009, the consulting engineer for the Hydro Projects projected that the aggregate principal of bonds that AMP would be required to issue to finance the Hydro Projects, including capitalized interest to their estimated in-service dates in 2012 and 2013, will be approximately \$1.4 billion.

The Village has passed appropriate legislation and executed a power sales contract to participate in this project and has been allocated .8 MW of this project.

**VILLAGE OF EDGERTON  
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

**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, 2008 and 2007 are indicated below:

	Electric Fund	Electric Substation Fund	Other Enterprise Funds
As of December 31, 2008:			
Operating Cash Receipts	\$2,369,820		\$666,921
Debt Service	210,178		708,164
Capital Outlay	65,496		72,404
Operating Cash Disbursements	1,976,945		611,471
Fund Cash Balances at 12/31/08	1,468,130	\$2,193	306,260
Operating Income / (Loss)	327,379		(16,954)
Net Cash Receipts Over (Under) Cash Disbursements	226,526		(45,592)
	Electric Fund	Electric Substation Fund	Other Enterprise Funds
As of December 31, 2007:			
Operating Cash Receipts	\$2,306,446		\$714,622
Debt Service	211,002		747,962
Capital Outlay	57,580		53,235
Operating Cash Disbursements	1,926,070		522,943
Fund Cash Balances at 12/31/07	1,241,604	\$2,193	351,852
Operating Income	381,514		79,726
Net Cash Receipts over Cash Disbursements	293,468		13,625

**16. Compliance**

The following occurred contrary to Ohio law:

- The Village did not properly certify certain disbursements.
- The Village did not properly allocate interest earnings to the General fund.

VILLAGE OF EDGERTON  
WILLIAMS COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)

**17. Subsequent Events**

In November 2009, the Village entered into a contract with Edgerton Local School District to purchase the Elementary/Middle School Building for \$250,000, payable in installments through 2022.

The bond anticipation notes (BAN) stipulated in Note 7 above were renewed in February 2009 for \$601,000. The BAN's will mature in January 2010.

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# 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 years ended December 31, 2008 and 2007, and have issued our report thereon dated December 17, 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 expressing our opinion on the financial statements, but not to opine 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 would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

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We consider findings 2008-002 through 2008-004 described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. Of the significant deficiencies described above, we believe findings 2008-003 and 2008-004 are also material weaknesses.

We also noted certain internal control matters that we reported to the Village's management in a separate letter dated December 17, 2009.

#### **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 that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2008-001 and 2008-002.

We also noted certain noncompliance or other matters not requiring inclusion in the report that we reported to the Village's management in a separate letter dated December 17, 2009.

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



**Mary Taylor, CPA**  
Auditor of State

December 17, 2009

**VILLAGE OF EDGERTON  
WILLIAMS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2008 AND 2007**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
----------------------------------------------------------------------------------------------------------

**FINDING NUMBER 2008-001**

**Non-Compliance Citation**

**Ohio Revised Code § 5705.41(D)(1)** prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the Clerk–Treasurer is attached thereto. The Clerk-Treasurer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a Clerk–Treasurer’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 Clerk-Treasurer can certify that both at the time that the contract or order was made (“then”), and at the time that the Clerk-Treasurer is completing the certification (“now”), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village 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 Clerk-Treasurer 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.

**2. Blanket Certificate** – Clerk-Treasurers 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 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 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.

None of the transactions tested were certified by the Clerk-Treasurer at the time the commitment was incurred and there was no evidence the Village followed the aforementioned exceptions since purchase orders could not be located for 2007 and 2008. 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) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) 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 5705.41(D) are satisfied. The Clerk-Treasurer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

#### **FINDING NUMBER 2008-002**

##### **Non-Compliance Citation – Significant Deficiency**

**Ohio Revised Code § 135.21** requires interest earned on the investment earnings be credited to the General fund unless otherwise required by law.

Interest earnings were credited to the Street Maintenance and Repair, State Highway, Revolving Loan, UDAG and Auto License funds in excess of the principal sums invested in 2008 and 2007. As result, the General fund should have received additional interest earnings in the amounts of \$10,370 in 2008 and \$56,685 in 2007. Adjustments were made to the accompanying financial statements and the financial records.

We recommend the Clerk-Treasurer allocate interest earnings to the funds based on the principal sum invested from those funds. All other interest earnings should be allocated to the General fund. This allocation procedure should be conducted on a monthly basis.

#### **FINDING NUMBER 2008-003**

##### **Material Weakness – Financial Reporting**

As a result of the audit procedures performed, the following errors were noted in the financial statements that required audit adjustments.

1. Personal property tax loss reimbursement monies in the amounts of \$9,329 in 2007 and \$12,922 in 2008 posted to the Fire Levy fund, were recorded as "Taxes" line item instead of the "Intergovernmental Revenues" line item.
2. Indirect cost chargebacks in the amounts of \$42,700 in 2007 and \$113,658 in 2008 posted to the General fund were recorded as "Miscellaneous Revenues" and "Charges for Services". These monies should be posted to "Other Financing Sources."
3. Proceeds from the sale of Sanitary Sewer Bond Anticipation Notes in the amounts of \$681,000 in 2007 and \$641,000 in 2008 were posted as "Sale of Bonds" within the Sanitary Sewer Fund instead of "Sale of Notes".

4. Loan repayments in the UDAG fund (\$5,662 in 2007 and \$8,514 in 2008) and the Revolving Loan fund (\$26,424 in 2008) that were posted as "Earnings on Investments and "Other Debt Proceeds". These amounts should have been posted as "Miscellaneous Revenue" In addition, revolving loan payments during 2008 in the amount of \$75,616 made from the Special Revenue – UDAG fund were misposted to "Capital Outlay" instead of "Community Environment."
5. Payroll and material and supplies expenditures in the amount of \$23,585 in 2007 and \$23,031 in 2008 within the Capital Improvement fund were posted to the "Capital Outlay" instead of "General Government."

Sound financial reporting is the responsibility of the fiscal officer and the governing board and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

To ensure the Village's financial statements and notes to the statements are complete and accurate, the Village should adopt policies and procedures, including a final review of the statements and notes by the Clerk-Treasurer and Council, to identify and correct errors and omissions. The Clerk-Treasurer should also review the Village Handbook's chart of accounts to ensure that all accounts are being properly posted to the financial statements.

#### **FINDING NUMBER 2008-004**

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

Strong accounting controls require that 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 2007 and 2008, the Village's computer postings and bank reconciliations were not performed on a timely basis which resulted in the Village being unreconciled and declared unauditible by the Auditor of State's Office. The Village was given 90 days to reconcile its books by posting all transactions and completing all monthly bank reconciliations.

All 2007 and 2008 transactions were posted and all monthly bank reconciliations completed as of November 13, 2009. These reconciliations indicated that bank balances were greater than book balances at December 31, 2007 and 2008 by \$41,165 and \$119,045. The client recorded the adjustments to its accounting records and financial statements for these differences.

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 that 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:**

We did not receive a response from Officials to the findings reported above.

**VILLAGE OF EDGERTON  
WILLIAMS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2008 AND 2007**

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>
2006-001	ORC § 5705.41(D) – Improper certification of disbursements	No	Reissued as finding 2008-001 in this report.
2006-002	ORC § 5705.14 – Illegal Transfer	Yes	
2006-003	Material Weakness – Financial Reporting	No	Reissued as finding 2008-003 in this report.
2006-004	Material Weakness - Timely Posting of Transactions and Reconciling of Bank Accounts	No	Reissued as finding 2008-004 in this report.
2006-005	Material Weakness - Monitoring Controls	No	No affect on the financial statements. Reissued in the management letter.
2006-006	Material Weakness – Posting of Inside/Outside Kilowatt Taxes	Yes	





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  
JANUARY 5, 2010**