VILLAGE OF EDGERTON
WILLIAMS COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2010

Dave Yost • Auditor of State

VILLAGE OF EDGERTON
WILLIAMS COUNTY

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Dave Yost • 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.

Dave Yost
Auditor of State

August 24, 2011

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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 Village of Edgerton, Williams County, Ohio (the Village), as of and for the year ended December 31, 2010. 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.

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, 2010 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2010, 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 Village of Edgerton, Williams County, as of December 31, 2010, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 24, 2011, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Dave Yost

Dave Yost
Auditor of State

August 24, 2011

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, 2010

	Governmental Fund Types			
	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts:				
Property and Local Taxes	$171,212	$42,616		$213,828
Municipal Income Tax	252,261		$135,391	387,652
Intergovernmental	120,999	175,790	43,600	340,389
Charges for Services	65,532	269		65,801
Fines, Licenses and Permits	4,398	3,194		7,592
Earnings on Investments	28,745			28,745
Loan Repayments		24,779		24,779
Miscellaneous	402,655	8,732		411,387
Total Cash Receipts	1,045,802	255,380	178,991	1,480,173
Cash Disbursements:				
Current:				
Security of Persons and Property	381,452	66,384		447,836
Public Health Services	11,332			11,332
Leisure Time Activities	32,695			32,695
Community Environment	6,907			6,907
Transportation	59,400	176,478		235,878
General Government	217,111	1,234	18,264	236,609
Capital Outlay	261,107		108,747	369,854
Total Cash Disbursements	970,004	244,096	127,011	1,341,111
Total Receipts Over Disbursements	75,798	11,284	51,980	139,062
Other Financing Receipts / (Disbursements):				
Transfers-Out	(94,022)			(94,022)
Other Financing Sources	27,097		650	27,747
Other Financing Uses		(9,661)		(9,661)
Total Other Financing Receipts / (Disbursements)	(66,925)	(9,661)	650	(75,936)
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	8,873	1,623	52,630	63,126
Fund Cash Balances, January 1	55,426	303,843	182,804	542,073
Fund Cash Balances, December 31	**$64,299**	**$305,466**	**$235,434**	**$605,199**

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, 2010

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	$3,159,032
Miscellaneous	62,789
Total Operating Cash Receipts	3,221,821
Operating Cash Disbursements:	
Personal Services	485,710
Contractual Services	1,940,188
Supplies and Materials	285,027
Total Operating Cash Disbursements	2,710,925
Operating Income	510,896
Non-Operating Cash Receipts:	
Property and Other Local Taxes	5,971
Sale of Notes	561,000
Premuim on the Sale of Notes	818
Other Non-Operating Cash Receipts	9,660
Total Non-Operating Cash Receipts	577,449
Non-Operating Cash Disbursements:	
Capital Outlay	17,833
Redemption of Principal	741,000
Interest and Other Fiscal Charges	55,846
Other Non-Operating Cash Disbursements	10,902
Total Non-Operating Cash Disbursements	825,581
Excess of Receipts Over Disbursements Before Interfund Transfers	262,764
Transfers-In	94,022
Net Receipts Over Disbursements	356,786
Fund Cash Balances, January 1	1,854,272
Fund Cash Balances, December 31	**$2,211,058**

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

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, Ohio (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 its certificates of deposit and repurchase agreements at cost.

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

2. Special Revenue Funds

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

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

<u>Permissive Motor Vehicle License Tax Fund</u> – This fund receives permissive motor vehicle license tax money for constructing, maintaining, and repairing Village streets.

<u>Fire Levy Fund</u> - This fund receives property tax monies to help provide fire services to the community

3. Capital Project Funds

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

<u>Capital Improvement Fund</u> – This fund receives proceeds from an income tax levy to acquire property and equipment and to construct capital improvements.

<u>OPWC Fund</u> – This fund receives Ohio Public Works Commission money to construct road projects within the Village.

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:

<u>Sanitary Sewer Fund</u> - This fund receives charges for services from residents to cover sanitary sewer service costs.

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 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 unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

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

A summary of 2010 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, 2010 was as follows:

Demand deposits	$107,000
Repurchase agreement	2,709,257
Total deposits and investments	$2,816,257

Deposits: Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

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, 2010 follows:

Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	$870,000	$1,072,899	$202,899
Special Revenue	287,800	255,380	(32,420)
Capital Projects	135,000	179,641	44,641
Enterprise	4,805,000	3,893,292	(911,708)
Total	$6,097,800	$5,401,212	($696,588)

Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	$961,600	$1,064,026	($102,426)
Special Revenue	374,500	253,757	120,743
Capital Projects	307,500	127,011	180,489
Enterprise	6,412,500	3,536,506	2,875,994
Total	$8,056,100	$4,981,300	$3,074,800

Contrary to Ohio law, budgetary expenditures in the General Fund, Street Construction, Maintenance and Repair Fund and Garbage Fund exceeded appropriations by $102,426, $6,944 and $10,656, respectively. In addition, the Village failed to establish a separate capital project fund for Ohio Public Works Commission grant monies received in the amount of $43,600 and did not report the "on behalf" payments to any Village account.

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 1percent 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. Debt

	Principal	Interest Rate
Electric System Improvement Loan	$1,220,000	2.75%
Real Estate Purchase Agreement	240,000	
Total	$1,460,000	

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 noes 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.

6. Debt (Continued)

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.

Amortization of the real estate purchase agreement is scheduled as follows:

Year ending December 31:	
2012	$90,000
2013	15,000
2014	15,000
2015	15,000
2016	15,000
2017-2021	90,000
Total	$240,000

7. Short Term Debt

The Village issued Sanitary Sewer Refunding Bond Anticipation Notes, Series 2010 in the amount of $561,000 during 2010. These notes which mature on January 29, 2011, had an interest rate of 2.5%. The 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 and are backed by the full faith and credit of the Village.

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 2010, 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 2010, 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, 2010.

9. Risk Management

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

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 JV 2 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 $348,195 at December 31, 2010. Complete financial statements for OMEGA JV2 may be obtained from AMP or from the State Auditor's website at www.auditor.state.oh.us.

The thirty-six participating subdivisions and their respective ownership shares at December 31, 2010 are:

10. OMEGA JV2 (Continued)

Municipality	Percent Ownership	KW Entitlement	Municipality	Percent Ownership	KW Entitlement
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
	95.20%	127,640		4.80%	6,441
			Grand Total	100.00%	134,081

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, 2010. Complete financial statements for OMEGA JV4 may be obtained from AMP or from the State Auditor's website at www.auditor.state.oh.us.

12. OMEGA JV5

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.

12. OMEGA JV5 (Continued)

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, 2010 Edgerton 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% 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 $99,387 at December 31, 2010. Complete financial statements for OMEGA JV5 may be obtained from AMP or from the State Auditor's website at www.auditor.state.oh.us.

13. OMEGA JV6

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.

13. OMEGA JV6 (Continued)

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% of the sum of OMEGA JV6 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2010 Edgerton 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% of such non-defaulting Participant's Project share ("Step Up Power").

OMEGA JV6 is managed by American Municipal Power, 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.

The Village's net investment to date in OMEGA JV6 was $117,711 at December 31, 2010. Complete financial statements for OMEGA JV6 may be obtained from AMP or from the State Auditor's website at www.auditor.state.oh.us.

The ten participating subdivisions and their respective ownership shares at December 31, 2010 are:

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%
Edgeton	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 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.

14. Long Term Purchase Commitments (Continued)

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 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.

On July 23, 2010, in an effort to provide greater cost certainty, enhance warranty coverage and ensure better quality assurance, PSGC and Bechtel executed a revised fixed-price engineering, procurement and construction Agreement (the "*Amended and Restated EPC Contract*"). The Amended and Restated EPC Contract is a "turnkey" contract, which leaves Bechtel with responsibility to manage the engineering, design, construction and start-up of the generating facility. Except for certain expenses ancillary to the generating station and change orders, Bechtel will earn the negotiated fixed price of $3.999 billion for its services.

In the third quarter of 2010, AMP issued $300,000,000 additional Bonds (Series 2010 Bonds) to (i) make deposits to the Acquisition and Construction Accounts under the Indenture to finance capital expenditures, costs and expenses associated with AMP's Ownership Interest in the Prairie State Energy Campus (the "PSEC"); (ii) fund deposits to the Parity Common Reserve Account; and (iii) pay the costs of issuance of the Series 2010 Bonds.

With the issuance of the Series 2010 Prairie State Bonds, AMP does not currently anticipate the need to issue additional bonds or notes to pay additional costs of the PSEC. AMP estimates as of September 30, 2010 that its share of the total Project costs, including AMP's share of PSEC capital improvements through 2016, will result in the issuance by AMP of approximately $1.696 billion of debt. These estimated costs include (i) AMP's costs of acquisition of its Ownership Interest and its share of the cost of construction of the PSEC, including an allowance for contingencies, (ii) capitalized interest during and after the scheduled in service dates of the two PSEC Units, (iii) costs of issuance associated with both the interim and long-term financing for the Project and (iv) deposits to the Parity Common Reserve Account for the Bonds issued to permanently finance the Project

AMP will sell the power and energy from the PSEC Ownership Interest pursuant to a take-or-pay power sales contract (the *"Prairie State Power Sales Contract*") with 68 Members (the *"Prairie State Participants*"). The Prairie State Power Sales Contract is, in all material respects, comparable to the Power Sales Contract for the Project. The Prairie State Bonds are net revenue obligations of AMP, secured by a master trust indenture, payable primarily from the payments to be made by the Prairie State Participants under the terms of the Prairie State Power Sales Contract.

14. Long Term Purchase Commitments (Continued)

B. American Municipal Powers 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 NW 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 placed 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 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.

14. Long Term Purchase Commitments (Continued)

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 provided 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.

On December 21, 2010, AMP issued $1,378,990,000 aggregate principal amount of its Combined Hydroelectric Projects Revenue Bonds, Series 2010A (Federally Taxable), Series 2010B (Federally Taxable – Issuer Subsidy – Build America Bonds) and Series 2010C (Federally Taxable – Issuer Subsidy – New Clean Renewable Energy Bond) (collectively, the “*Series 2010A-C Hydroelectric Bonds*”) to finance, among other things, additional costs associated with the Cannelton facility, the Smithland facility, and the Willow Island facility. The Combined Hydroelectric Bonds are payable from amounts received by AMP under a take-or-pay power sales contract with 79 of its Members.

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 for the year ended December 31, 2010 is indicated below:

	Electric Fund	Electric Substation Fund	Other Enterprise Funds
Operating Cash Reciepts	$2,589,124		$632,697
Debt Service	177,816		619,030
Capital Outlay	12,519		5,314
Operating Cash Disbursements	2,135,529	166	576,285
Fund Cash Balances at December 31, 2010	1,973,547	972	236,539
Operating Income (Loss)	454,650	(166)	56,412
Net Cash Receipts Over (Under) Cash Disbursements	361,746	(166)	(4,794)

16. Subsequent Events

The bond anticipation notes (BAN) stipulated in Note 7 above were renewed in January 2011 for $521,000. The BAN's will mature in January 2012.

In addition, Council approved Ordinance #898 on June 20, 2011 for the issuance of $695,000 of bonds to pay a portion of the cost of renovating, improving and equipping the new Village Hall.

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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 Village of Edgerton, Williams County, Ohio (the Village), as of and for the year ended December 31, 2010, and have issued our report thereon dated August 24, 2011 wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We 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 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 2010-001, 2010-004 and 2010-005 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 or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2010-001 through 2010-003.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated August 24, 2011.

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.

Dave Yost
Auditor of State

August 24, 2011

**SCHEDULE OF FINDINGS
DECEMBER 31, 2010**

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

FINDING NUMBER 2010-001

Noncompliance Citation/Material Weakness

Ohio Revised Code, § 5705.09(F), states each subdivision shall establish a special fund for each class of revenues derived from a source other than the general property tax, which the law requires to be used for a particular purpose.

Auditor of State Bulletin 2000-008 further states all local governments participating in Issue II Funds (Ohio Public Works Commission) must, for each project awarded, establish a capital project fund to account for both the Issue II monies and the local matching funds.

Ohio Public Works Commission grant funds, in an amount totaling $43,600 were received by the Village during 2010. The Village failed to establish a separate capital project fund for these monies and did not report the “on behalf” payments in any Village account.

Adjustments were included in the accompanying financial statements and Village’s accounting records to reflect this activity in a separate fund.

We recommend the Village follow the guidelines of Auditor of State Bulletins 2000-008, which describe the proper accounting treatment for Issue II funding.

FINDING NUMBER 2010-002

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.

FINDING NUMBER 2010-002
(Continued)

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.

None of the transactions tested were certified by the Fiscal Officer at the time the commitments were incurred and there was no evidence any of the exceptions noted above had been used. 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 Fiscal Officer 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 Fiscal Officer 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 Fiscal Officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

FINDING NUMBER 2010-003

Noncompliance Citation

Ohio Revised Code, Section 5705.41(B), states that no subdivision or taxing unit is to expend money unless it has been appropriated. The following funds had expenditures which exceeded appropriations:

	Appropriations	Expenditures	Differences
General Fund	$961,600	$1,064,026	$(102,426)
Street Construction, Maintenance and Repair Fund	125,000	131,944	(6.944)
Garbage Fund	100,000	110,656	(10,656)

The failure to limit expenditures to appropriated amounts may result deficit spending.

The Village should periodically compare expenditures and encumbrances to appropriations to determine if a modification to appropriations is necessary.

FINDING NUMBER 2010-004

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. Tangible personal property tax loss reimbursement monies and manufactured homestead monies in the amounts of $21,601 and $16,759 posted to the General fund and Fire Levy fund, respectively, were recorded as Taxes instead of Intergovernmental Revenues.

2. Local government revenues of $50,361 posted to the General fund were recorded as Municipal Income Taxes instead of Intergovernmental Revenues.

3. Reimbursements for street expenditures of $45,000 were recorded as Transfers In in the General fund and Transfers Out in the Street Construction, Maintenance and Repair fund instead of a decrease of Transportation expenditures in the General fund and an increase of Transportation expenditures in the Street Construction, Maintenance and Repair fund.

4. Storm damage expenditures of $261,107 posted to the General fund were recorded as General Government instead of Capital Outlay.

5. Loan repayments in the Revolving Loan fund of $24,779 were recorded as Other Debt Proceeds ($20,630) and Earnings on Investment ($4,149). These should have been recorded as Loan Repayments.

6. Payroll and fringe benefits of $18,690 posted to the Capital Projects fund were recorded as Capital Outlay instead of General Government.

These adjustments have been posted to the accompanying financial statements.

Sound financial reporting is the responsibility of the Fiscal Officer and the Council 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 Fiscal Officer and Council, to identify and correct errors and omissions. The Fiscal Officer should also review the Village Handbook.

FINDING NUMBER 2010-005

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 2010, the Village's computer postings and bank reconciliations were not performed on a timely basis.

Some 2010 transactions were not posted to the accounting records until after the end of the fiscal year (December 31, 2010). The December 31, 2010 bank reconciliation was completed several weeks after year end. This reconciliation indicated that book balances were greater than bank balances at December 31, 2010 by $6,818. The reconciling variance is primarily due to the second half real estate tax settlement being improperly posted to the Village's books. The amount received from the County Auditor was deposited with the Village's bank, however, the Fiscal Officer posted a different amount to the Village's books. The adjustments have made to the 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 in a timely manner. As of July 30, 2011, only transactions which have occurred through May 31, 2011 have been entered into the Village’s accounting system and monthly bank account reconciliations have also been completed through the same period.

Accurate fund balances are not known if the Village does not post transactions and reconcile its accounts on a timely basis. 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.

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.

In order to strengthen accountability over the Village's financial activity and reconciliation process, we recommend transactions be posted in a timely manner. The Fiscal Officer 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, 2010

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; ***Explain***
2009-001	Ohio Revised Code § 5705.10 (H) - monies from a fund used for others other than for the purpose of the fund.	Yes	
2009-002	Ohio Revised Code § 5705.36(A)(2), (4) and 5705.39 – Estimated resources exceeded actual amounts available for appropriations	Yes	
2009-003	Ohio Revised Code § 5705.39 – Appropriations exceeded estimated resources.	No	Partially corrected, reducing this to a management letter comment.
2009-004	Ohio Revised Code § 5705.41(D) improper certification of expenditures	No	Reissued as finding 2010-002 in this report.
2009-005	Material Weakness – Transactions were not recorded timely and reconciliations were performed timely	No	Reissued as finding 2010-005 this report.

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Dave Yost • 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
SEPTEMBER 8, 2011

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