



**VILLAGE OF EDGERTON  
WILLIAMS COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2000-1999**



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



VILLAGE OF EDGERTON  
WILLIAMS COUNTY

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## REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Edgerton, Williams County, Ohio, (the Village) as of and for the years ended December 31, 2000 and 1999. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village as of December 31, 2000 and 1999, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 20, 2001, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

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

**Jim Petro**  
Auditor of State

July 20, 2001

**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, 2000**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property Tax and Other Local Taxes	\$460,044	\$22,273	\$211,622	\$693,939
Intergovernmental Receipts	171,085	75,659		246,744
Charges for Services	30,793			30,793
Fines, Licenses, and Permits	6,364	581		6,945
Miscellaneous	99,857	34,944		134,801
	<u>768,143</u>	<u>133,457</u>	<u>211,622</u>	<u>1,113,222</u>
<b>Total Cash Receipts</b>				
	<u>768,143</u>	<u>133,457</u>	<u>211,622</u>	<u>1,113,222</u>
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	307,251	59,650		366,901
Public Health Services	9,790			9,790
Leisure Time Activities	75,516			75,516
Transportation	126,200	85,984		212,184
General Government	194,437			194,437
Capital Outlay			307,949	307,949
	<u>713,194</u>	<u>145,634</u>	<u>307,949</u>	<u>1,166,777</u>
<b>Total Cash Disbursements</b>				
	<u>713,194</u>	<u>145,634</u>	<u>307,949</u>	<u>1,166,777</u>
<b>Total Cash Receipts Over/(Under) Cash Disbursements</b>	<u>54,949</u>	<u>(12,177)</u>	<u>(96,327)</u>	<u>(53,555)</u>
<b>Other Financing Receipts/(Disbursements):</b>				
Other Sources	6,259		3	6,262
Transfers-In		9,000	92,000	101,000
Transfers-Out	(130,000)			(130,000)
Other Uses	(12,366)	(6,627)		(18,993)
	<u>(136,107)</u>	<u>2,373</u>	<u>92,003</u>	<u>(41,731)</u>
<b>Total Other Financing Receipts/(Disbursements)</b>				
	<u>(136,107)</u>	<u>2,373</u>	<u>92,003</u>	<u>(41,731)</u>
<b>Excess of Cash Receipts and Other Financing Receipts Under Cash Disbursements and Other Financing Disbursements</b>	<u>(81,158)</u>	<u>(9,804)</u>	<u>(4,324)</u>	<u>(95,286)</u>
<b>Fund Cash Balances, January 1</b>	<u>275,292</u>	<u>416,846</u>	<u>132,429</u>	<u>824,567</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$194,134</b></u>	<u><b>\$407,042</b></u>	<u><b>\$128,105</b></u>	<u><b>\$729,281</b></u>
<b>Reserves for Encumbrances, December 31</b>	<u>\$17,931</u>		<u>\$126,812</u>	<u>\$144,743</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, 2000**

	<b>Proprietary Fund Type</b>
	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$2,548,778
Miscellaneous	21,690
	2,570,468
<b>Operating Cash Disbursements:</b>	
Personal Services	325,345
Contractual Services	1,714,671
Supplies and Materials	579,035
Capital Outlay	55,912
	2,674,963
Operating Loss	(104,495)
<b>Non-Operating Cash Receipts:</b>	
Proceeds from Notes and Bonds	2,400,000
Miscellaneous	2,804
Other Non-Operating Receipts	9,540
	2,412,344
<b>Non-Operating Cash Disbursements:</b>	
Debt Service	46,600
Other Non-Operating Cash Disbursements	41,100
	87,700
Excess of Receipts Over Disbursements Before Interfund Transfers	2,220,149
Transfers-In	29,000
Net Receipts Over Disbursements	2,249,149
Fund Cash Balances, January 1	851,715
<b>Fund Cash Balances, December 31</b>	<b>\$3,100,864</b>
Reserve for Encumbrances, December 31	\$18,737

*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, 1999**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property Tax and Other Local Taxes	\$484,277	\$57,013	\$208,440	\$749,730
Intergovernmental Receipts	102,381	75,958		178,339
Charges for Services	48,141			48,141
Fines, Licenses, and Permits	7,670	617		8,287
Miscellaneous	88,348	77,147		165,495
	<u>730,817</u>	<u>210,735</u>	<u>208,440</u>	<u>1,149,992</u>
<b>Total Cash Receipts</b>				
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	316,212	51,418		367,630
Public Health Services	4,041			4,041
Leisure Time Activities	47,167			47,167
Transportation	88,981	78,089		167,070
General Government	294,125			294,125
Capital Outlay			168,818	168,818
	<u>750,526</u>	<u>129,507</u>	<u>168,818</u>	<u>1,048,851</u>
<b>Total Cash Disbursements</b>				
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(19,709)</u>	<u>81,228</u>	<u>39,622</u>	<u>101,141</u>
<b>Other Financing Receipts/(Disbursements):</b>				
Other Financing Sources	28,089			28,089
Transfers-In		2,000		2,000
Transfers-Out	(6,000)			(6,000)
Other Financing Uses	(4,682)	(1,000)		(5,682)
	<u>17,407</u>	<u>1,000</u>		<u>18,407</u>
<b>Total Other Financing Receipts/(Disbursements)</b>				
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(2,302)	82,228	39,622	119,548
Fund Cash Balances, January 1	<u>277,594</u>	<u>334,618</u>	<u>92,807</u>	<u>705,019</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$275,292</b></u>	<u><b>\$416,846</b></u>	<u><b>\$132,429</b></u>	<u><b>\$824,567</b></u>
Reserves for Encumbrances, December 31	<u>\$5,461</u>		<u>\$28,729</u>	<u>\$34,190</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, 1999**

	<b>Proprietary Fund Types</b>
	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$2,388,160
Miscellaneous	83,801
	2,471,961
<b>Operating Cash Disbursements:</b>	
Personal Services	295,387
Contractual Services	1,662,529
Supplies and Materials	319,982
Capital Outlay	72,113
	2,350,011
Operating Income	121,950
<b>Non-Operating Cash Receipts:</b>	
Other Non-Operating Receipts	10,240
<b>Non-Operating Cash Disbursements:</b>	
Debt Service	71,654
Other Non-Operating Cash Disbursements	39,693
	111,347
Excess of Receipts Over Disbursements Before Interfund Transfers	20,843
Transfers-In	4,000
Net Receipts Over Disbursements	24,843
Fund Cash Balances, January 1	826,872
<b>Fund Cash Balances, December 31</b>	<b>\$851,715</b>
Reserve for Encumbrances, December 31	\$27,621

*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, 2000 AND 1999**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Village of Edgerton, Williams County, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general governmental services, including electric, water, and sewer utilities, park operations (leisure time activities), maintenance of streets, police and fire protection, and general village maintenance.

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

**B. Basis of Accounting**

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

**C. Cash and Investments**

Certificates of deposit are valued at cost. Mutual funds are recorded at share values reported by the mutual fund.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

**D. Fund Accounting**

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

**1. General Fund**

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

**VILLAGE OF EDGERTON  
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2000 AND 1999  
(Continued)**

**2. Special Revenue Fund**

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

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

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

*Fire Levy Fund* - This fund receives tax moneys assessed and levied on real and personal property for the operation of the fire department.

**3. Capital Project Funds**

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project fund:

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

**4. Enterprise Funds**

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

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

**E. Budgetary Process**

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

**1. Appropriations**

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

**VILLAGE OF EDGERTON  
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2000 AND 1999  
(Continued)**

**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 commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2000 and 1999 budgetary activity appears in Note 3.

**F. Property, Plant and Equipment**

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

**G. Unpaid Vacation and Sick Leave**

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the Village.

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

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

	<u>2000</u>	<u>1999</u>
Demand deposits	(\$70,061)	(\$75,160)
Certificates of deposit	<u>1,330,000</u>	<u>1,330,000</u>
Total deposits	<u>1,259,939</u>	<u>1,254,840</u>
 Mutual Funds	 2,570,106	 421,342
 Cash on Hand	 <u>100</u>	 <u>100</u>
Total cash on hand, deposits, and investments	<u><u>\$3,830,145</u></u>	<u><u>\$1,676,282</u></u>

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

**Investments:** Mutual funds are not evidenced by securities that exist in physical or book-entry form.

**VILLAGE OF EDGERTON  
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2000 AND 1999  
(Continued)**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2000 and 1999 follows:

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$758,906	\$774,402	\$15,496
Special Revenue	223,516	142,457	(81,059)
Capital Projects	300,441	303,625	3,184
Enterprise	4,943,024	5,011,812	68,788
Total	<u>\$6,225,887</u>	<u>\$6,232,296</u>	<u>\$6,409</u>

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,004,484	\$873,491	\$130,993
Special Revenue	582,857	152,261	430,596
Capital Projects	430,729	434,761	(4,032)
Enterprise	3,119,862	2,781,400	338,462
Total	<u>\$5,137,932</u>	<u>\$4,241,913</u>	<u>\$896,019</u>

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$739,525	\$758,906	\$19,381
Special Revenue	176,575	212,735	36,160
Capital Projects	185,000	208,440	23,440
Enterprise	2,058,000	2,486,201	428,201
Total	<u>\$3,159,100</u>	<u>\$3,666,282</u>	<u>\$507,182</u>

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$998,843	\$766,669	\$232,174
Special Revenue	507,411	130,507	376,904
Capital Projects	406,563	197,547	209,016
Enterprise	3,060,575	2,488,979	571,596
Total	<u>\$4,973,392</u>	<u>\$3,583,702</u>	<u>\$1,389,690</u>

Contrary to Ohio Revised Code § 5705.39, the Village's appropriations exceeded estimated resources in several funds during 1999.

**VILLAGE OF EDGERTON  
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2000 AND 1999  
(Continued)**

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20. Under certain circumstances, State statute permits later payment dates to be established. In 2000 and 1999, the first payment was due February 15, with the remainder payable by July 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. DEBT**

Debt outstanding at December 31, 2000, was as follows:

	Principal	Interest Rate
Mortgage Revenue Bonds	\$898,000	5%
Electric System Improvement Loan	2,400,000	4.75%
Total	\$3,298,000	

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

The Electric System Improvement Loan provided interim financing for Edgerton's share of the cost of participating in the Ohio Municipal Electric Generation Agency Joint Venture 2 (OMEGA JV2) and making certain improvements to the Village's municipal electric system. The Village will pay monthly installments of \$15,839 on the loan through the year 2020. The scheduled payment amounts are listed below.

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

**VILLAGE OF EDGERTON  
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2000 AND 1999  
(Continued)**

<u>Year ending December 31:</u>	<u>Electric System Improvement Loan</u>	<u>Mortgage Revenue Bonds</u>
2001	\$190,067	\$79,900
2002	190,067	79,150
2003	190,067	79,350
2004	190,067	79,450
2005	190,067	79,450
Subsequent	<u>2,851,010</u>	<u>957,250</u>
Total	<u><u>\$3,801,345</u></u>	<u><u>\$1,354,550</u></u>

**6. RETIREMENT SYSTEMS**

The Village's law enforcement officers and firefighters belong to the Ohio Police and Fire Pension Fund (OP&F). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. OP&F and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2000 and 1999, members of OP&F contributed 10% of their wages to the OP&F. The Village contributed an amount equal to 19.5% of their wages. PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% and 10.84% of participants' gross salaries for 1999 and 2000, respectively. The PERS contribution rate for 2000 represents a temporary rate reduction from the 1999 rate of 13.55 percent. The Village has paid all contributions required through December 31, 2000.

**7. RISK MANAGEMENT**

The Village has obtained commercial insurance for the following risks:

- Property;
- General liability;
- Auto;
- Inland marine;
- Crime;
- Umbrella;
- Public officials liability; and
- Police professional liability.

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





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

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

To the Village Council:

We have audited the financial statements of the Village of Edgerton, Williams County, (the Village) as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated July 20, 2001. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2000-30186-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated July 20, 2001.

**Internal Control Over Financial Reporting**

In planning and performing our audits, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2000-30186-002 and 2000-30186-003.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated July 20, 2001.

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

**Jim Petro**  
Auditor of State

July 20, 2001

**VILLAGE OF EDGERTON  
WILLIAMS COUNTY  
SCHEDULE OF FINDINGS  
DECEMBER 31, 2000 AND 1999**

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

**FINDING NUMBER 2000-30186-001**

**Noncompliance Citation**

Ohio Revised Code § 5705.39 provides that appropriations from each fund shall not exceed the estimated revenue available for expenditure from that fund as certified by the budget commission in the certificate of estimated resources. Appropriations exceeded the amount of estimated revenue certified as available by the budget commission in the following funds in 1999:

<u>Fund</u>	<u>Appropriations</u>	<u>Estimated Resources</u>	<u>Variance</u>
Revolving Loan Fund	\$323,718	\$308,649	(\$15,069)
Fire Levy Fund	30,750	28,974	(1,776)
Motor Vehicle License Tax Fund	15,900	12,709	(3,191)
Drug Enforcement Fund	5,000	3,489	(1,511)
Income Tax Capital Improvements Fund	395,000	266,243	(128,757)
Water Fund	194,571	156,124	(38,447)
Electric Fund	2,438,619	1,994,213	(444,406)
Storm Sewer Fund	92,500	77,187	(15,313)

The unfavorable variances were due to a lack of executing Amended Certificates of Estimated Resources for changes in appropriations. Total appropriations in excess of total approved estimated resources may result in deficit spending. We recommend a new Amended Certificate of Estimated Resources form be executed prior to the approval of supplemental appropriations unexpected revenues are to be received.

**FINDING NUMBER 2000-30186-002**

**Reportable Condition - Monitoring Financial Activity**

Sound accounting practices require regular and thorough monitoring of the Village's financial activity by management. This ensures that financial data is accurately presented and helps to ensure that resources are being efficiently and effectively utilized. A key aspect of this monitoring process is continuing adherence to the budget limits established by Village Council.

Council's review of Village finances was limited to a manually prepared list of bills paid and an income tax revenue report. Reviews such as these do not allow Council to adequately monitor the financial condition of the Village. The lack of comprehensive monitoring of the Village's financial activity, especially monitoring adherence to budgeted receipts and disbursements, may result in deficit spending. It may also allow the Village's financial condition to become unstable.

We recommend that the Clerk provide the Council with monthly financial reports which include at least the following information: 1) month-to-date and year-to-date receipt and disbursement totals by fund, 2) budget vs. actual receipts and disbursements at the legal level of control, 3) the balance in each individual fund, and 4) the monthly bank reconciliation. Reports such as these can be generated utilizing the Village's computerized accounting system. Council should use the reports as a tool to monitor the Village's financial situation and adapt budgets in anticipation of changing circumstances.

**FINDING NUMBER 2000-30186-003**

**Reportable Condition - 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 2000, the Village's computer posting and bank reconciliations were not performed on a timely basis. Upon our arrival, transaction posting was six months behind and bank accounts had not been reconciled for nearly a year. Not posting or reconciling in a timely manner may result in the following:

- Difficulty in determining the balance in each fund;
- Negative fund balances due to overspending;
- Making expenditures in excess of appropriations; and
- Increased risk of funds being diverted without management's knowledge.

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 should investigate and correct any unknown variances before closing that month's activities. Village Council should review and scrutinize monthly bank reconciliations closely. This review should be clearly documented in the Village's minute record, as well as on the bank reconciliations themselves.



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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**VILLAGE OF EDGERTON**

**WILLIAMS COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
AUGUST 16, 2001**